

JUNE 2003 PRELIMINARY FINANCE & INVESTMENT REPORT

Agenda Item # 1
Prepared By:
Finance Director
Submitted Dry
Submitted By:
City Manager

RECOMMENDED ACTION:

Accept and File Report

EXECUTIVE SUMMARY:

Attached is the monthly *Preliminary* Finance and Investment Report for the period ended June 30, 2003. The report preliminarily covers the twelve months of activity for the 2002/2003 fiscal year. A summary of the report is included on the first page for the City Council's benefit.

The monthly Finance and Investment Report is presented to the City Council and our Citizens as part of our ongoing commitment to improve and maintain public trust through communication of our finances, budget and investments. The report also serves to provide the information necessary to determine the adequacy/stability of financial projections and develop equitable resource/revenue allocation procedures.

This report covers all fiscal activity in the City, including the Redevelopment Agency. The Redevelopment Agency receives a separate report for the fiscal activity of the Agency at the meeting of the Agency. Presenting this report is consistent with the goal of *Maintaining and Enhancing the Financial Viability of the City*.

FISCAL IMPACT: as presented



PRELIMINARY FINANCIAL STATEMENT ANALYSIS - FISCAL YEAR 2002/03 FOR THE MONTH OF JUNE 2003 - 100% OF YEAR COMPLETE

This analysis of the status of the City's financial situation preliminarily reflects 100% of the year.

- * General Fund The revenues received in the General Fund were approximately 93% of the budgeted revenues. Property related taxes received through June 30 preliminarily totaled 114% of budget. The amount of Sales Tax collected was preliminarily 87% of the sales tax revenue budget and was 6% less than at this time last year. Sales taxes still need to be adjusted for the difference between State advances and actual taxes received through June and for June public safety tax receipts still to be received. An amount equal to 86% of the budget for franchise fees has been preliminarily collected to date; however, this total did not include refuse franchise fees still to be received for the fourth quarter. Business license and other permit collections were preliminarily 92% of the budgeted amount. Motor Vehicle-in-Lieu revenues were preliminarily 104% of the budgeted amounts, up 7% compared to last year. Interest & Other Revenue were preliminarily only 69% of budget and reflected interest earnings through March. The amount of Interest & Other Revenue collected was low because earnings for the fourth quarter were not yet known or posted, because the City collected less rental income for Community & Cultural Center rental activity than anticipated, and because declining interest rates have generated less interest earnings.
- * The General Fund expenditures and encumbrances to date totaled 92% of the budgeted appropriations. This total includes several activities for projects started in the last fiscal year; these projects and the related encumbrances were carried forward from the prior fiscal year. Certain 2002/03 bills have not yet been paid and have therefore not been included in these costs.
- * Transient Occupancy (Hotel) Tax The TOT rate is 10%. The City received \$670,866 in revenue for the first three quarters of the fiscal year. Taxes for the fourth quarter are due to the City by the end of July and have not yet been received. The amount received was 4% less than the amount received in the same period for the prior year.
- * Community Development Revenues were preliminarily 122% of budget, which was 22% more than the amount collected in the like period for the prior year. Increased revenues were received from building, planning, and engineering fees. Planning expenditures plus encumbrances were preliminarily 92% of budget, Building has preliminarily expended or encumbered 82% of budget and Engineering 88%. Community Development has preliminarily expended or encumbered a combined total of 88% of the 2002/03 budget, including \$269,070 in encumbrances. Certain 2002/03 bills have not yet been paid and have therefore not been included in these costs.
- * RDA and Housing Property tax increment revenues of \$18,865,627, or 121% of budget, have been preliminarily received as of June 30. This total has been reduced by \$581,354 which the Redevelopment Agency paid back to the County in May 2003, as required by a State law enacted to help balance the 2002/03 State budget prior to adoption of that budget. Redevelopment expenditures plus encumbrances for Business Assistance and Housing were preliminarily 69% of budget, including \$3,421,825 in encumbrances. Certain 2002/03 bills have not yet been paid and have therefore not been included in these costs.



HILL CITY OF MORGAN HILL, CALIFORNIA PRELIMINARY FINANCIAL STATEMENT ANALYSIS - FISCAL YEAR 2002/03 FOR THE MONTH OF JUNE 2003 - 100% OF YEAR COMPLETE

- * Water and Sewer Operations- Water Operations revenues, including service fees, were preliminarily 96% of budget. Expenditures preliminarily totaled 83% of appropriations. Sewer Operations revenues, including service fees, were preliminarily 91% of budget. Expenditures for sewer operations were preliminarily 88% of budget. Certain 2002/03 bills have not yet been paid and have therefore not been included in these costs.
- * Investments maturing/called/sold during this period. During the month of June, \$2 million in federal agency investments was called, due to declining interest rates, and \$2 million was invested in federal agency investments. Further details of all City investments are contained on pages 6-8 of this report.

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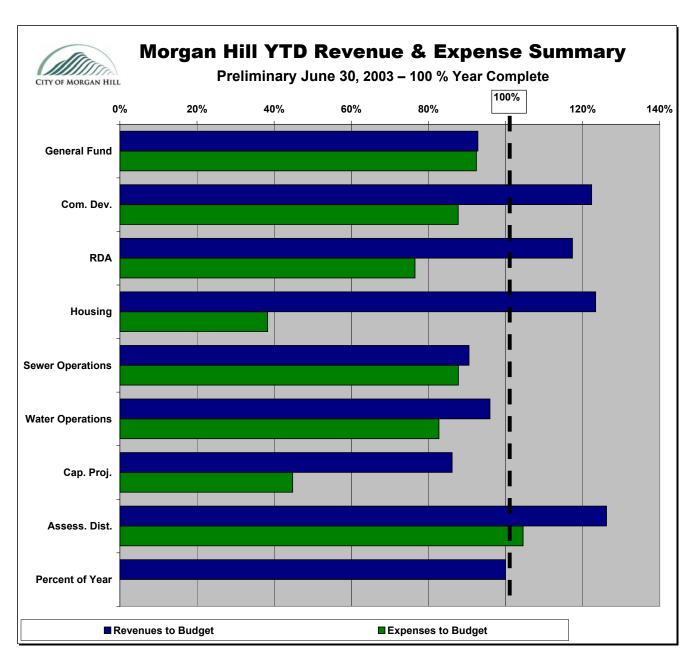
CITY OF MORGAN HILL Monthly Financial and Investment Reports

Preliminary June 30, 2003 - 100% Year Complete



Prepared by:

FINANCE DEPARTMENT



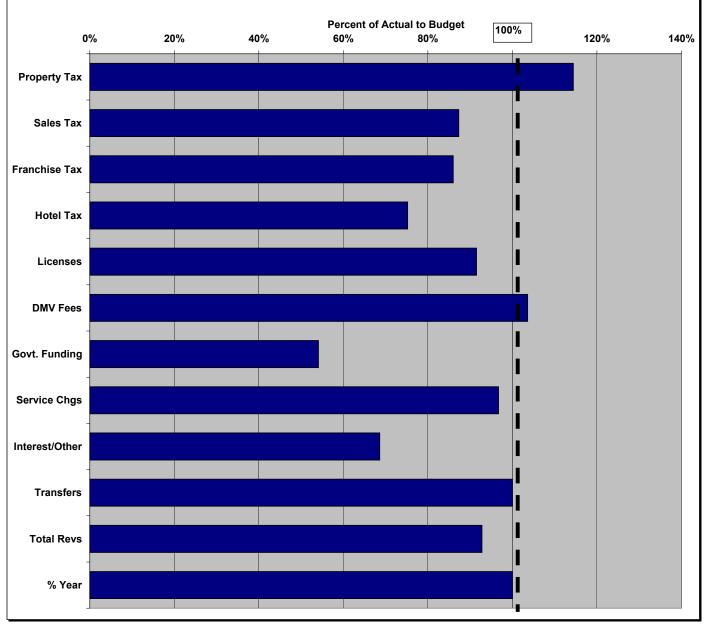
	REVENU	IES	EXPENS	ES	6/30/2003
		% OF	ACTUAL plus	% OF	UNRESTRICTED
FUND NAME	ACTUAL	BUDGET	ENCUMBRANCES	BUDGET	FUND BALANCE
General Fund	\$15,096,060	93%	\$15,759,413	92%	\$10,569,073
Community Development	2,591,562	122%	3,257,131	88%	1,211,958
RDA	15,061,785	117%	24,843,804	77%	10,942,064
Housing/CDBG	4,651,498	123%	2,776,631	38%	5,990,005
Sewer Operations	5,250,314	91%	6,083,087	88%	4,660,064
Sewer Other	1,905,613	94%	3,950,953	49%	10,765,079
Water Operations	6,199,856	96%	8,146,690	83%	1,854,663
Water Other	1,961,506	54%	4,381,357	81%	3,400,957
Other Special Revenues ¹	985,349	90%	1,645,496	60%	2,754,190
Capital Projects & Streets Funds	5,165,093	86%	6,190,586	45%	22,234,729
Debt Service Funds	277,500	126%	513,320	105%	503,972
Internal Service	4,761,377	117%	4,187,715	101%	4,706,087
Agency	2,737,189	108%	3,437,553	100%	5,158,259
TOTAL FOR ALL FUNDS	\$66,644,702	100%	\$85,173,736	72%	\$84,751,100

¹ Includes all Special Revenue Funds except Community Development, CDBG, and Street Funds



Morgan Hill YTD General Fund Revenues

Preliminary June 30, 2003 – 100% Year Complete

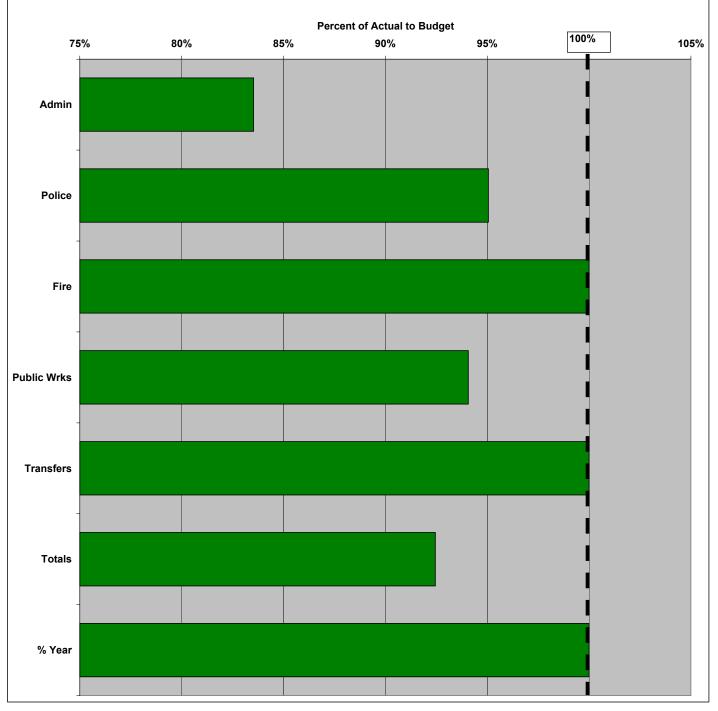


			% OF	PRIOR YEAR	% CHANGE FROM
REVENUE CATEGORY	BUDGET	ACTUAL	BUDGET	TO DATE	PRIOR YEAR
•					
PROPERTY RELATED TAXES	\$2,228,000	\$2,547,827	114%	\$2,392,635	6%
SALES TAXES	\$5,618,400	\$4,906,693	87%	\$5,208,046	-6%
FRANCHISE FEE	\$965,000	\$829,878	86%	\$810,891	2%
HOTEL TAX	\$892,000	\$670,866	75%	\$699,429	-4%
LICENSES/PERMITS	\$209,450	\$191,737	92%	\$198,746	-4%
MOTOR VEHICLE IN LIEU	\$1,965,000	\$2,035,157	104%	\$1,904,697	7%
FUNDING - OTHER GOVERNMENTS	\$228,300	\$123,512	54%	\$254,146	-51%
CHARGES CURRENT SERVICES	\$2,312,076	\$2,235,528	97%	\$1,888,887	18%
INTEREST & OTHER REVENUE	\$917,850	\$629,530	69%	\$607,381	4%
TRANSFERS IN	\$925,332	\$925,332	100%	\$522,658	77%
		•		•	
TOTALS	\$16,261,408	\$15,096,060	93%	\$14,487,516	4%



Morgan Hill YTD General Fund Expenditures

Preliminary June 30, 2003 – 100% Year Complete



Expenditure Category	Budget	Actual Plus	% of Budget
<u> </u>			
ADMINISTRATION	5,562,625	4,646,511	84%
POLICE	6,443,305	6,124,883	95%
FIRE	3,623,938	3,623,938	100%
PUBLIC WORKS	879,230	827,081	94%
TRANSFERS OUT	537,000	537,000	100%
TOTALS	\$ 17.046.098	\$ 15.759.413	92%



City of Morgan Hill
Fund Activity Summary - Fiscal Year 2002/03
Preliminary for the Month of June 30, 2003
100% of Year Completed

		00-20-00-00-00-00-00-00-00-00-00-00-00-0	Revenues	10070 01	Expenses		Year to-Date	Ending Fur	nd Balance	Cash and In	vestments
Fund		Fund Balance	YTD	% of	YTD	% of	Deficit or				
No.	Fund	06-30-02	Actual	Budget	Actual	Budget	Carryover	Reserved ¹	Unreserved	Unrestricted	Restricted ²
010	GENERAL FUND	\$11,232,426	\$15,096,060	93%	\$15,634,976	92%	(\$538,916)	\$124,437	\$10,569,073	\$11,388,228	\$4,150
TOTAL G	ENERAL FUND	<u>\$11,232,426</u>	<u>\$15,096,060</u>	<u>93%</u>	<u>\$15,634,976</u>	<u>92%</u>	(\$538,916)	<u>\$124,437</u>	<u>\$10,569,073</u>	<u>\$11,388,228</u>	<u>\$4,150</u>
202	STREET MAINTENANCE	\$1,615,397	\$1,856,587	103%	\$1,806,266	55%	\$50,321	\$830,037	\$835,681	\$1,578,050	\$10,794
204/205	PUBLIC SAFETY/SUPPL. LAW	\$641,108	\$155,868	97%	\$315,538	100%	(\$159,670)		\$481,438	\$481,438	
206	COMMUNITY DEVELOPMENT	\$1,877,527	\$2,591,562	122%	\$2,988,061	80%	(\$396,499)	\$269,070	\$1,211,958	\$1,565,129	
207	GENERAL PLAN UPDATE	\$110,827	\$122,864	108%	\$30,114	15%	\$92,750	\$140,402	\$63,175	\$203,738	
210	COMMUNITY CENTER	\$754,628	\$122,594	103%	\$520,332	100%	(\$397,738)		\$356,890	\$356,890	
215 / 216	CDBG	\$566,540	\$18,381	8%	\$35,321	15%	(\$16,940)	414,896	\$134,704	\$124,580	
220	MUSEUM RENTAL	\$3,807	\$74	35%	\$2,792	91%	(\$2,718)		\$1,089	\$1,090	
225	ASSET SEIZURE	\$56,567	\$1,246	61%	\$20,000	59%	(\$18,754)		\$37,813	\$37,813	
226	OES/FEMA			n/a			,				
229	LIGHTING AND LANDSCAPE	\$64,203	\$133,138	124%	\$159,540	114%	(\$26,402)	\$12,246	\$25,555	\$63,507	
232	ENVIRONMENT PROGRAMS	\$465,250	\$331,806	87%	\$266,499	69%	\$65,307	\$49,432	\$481,125	\$532,910	
234	MOBILE HOME PK RENT STAB.	\$53,314	\$17,826	711%	\$61,539	87%	(\$43,713)		\$9,601	\$25,705	
235	SENIOR HOUSING	\$236,123	\$17,592	21%			\$17,592		\$253,715	\$253,715	
236	HOUSING IN LIEU	\$1,028,510	\$27,519	73%	20,500	87%	\$7,019	-	\$1,035,529	\$1,039,794	
240	EMPLOYEE ASSISTANCE		\$54,822	68%	46,562	2%	\$8,260		\$8,260	\$8,260	
TOTAL S	PECIAL REVENUE FUNDS	<u>\$7,473,801</u>	<u>\$5,451,879</u>	<u>104%</u>	\$6,273,064	<u>63%</u>	<u>(\$821,185)</u>	<u>\$1,716,083</u>	<u>\$4,936,533</u>	<u>\$6,272,619</u>	<u>\$10,794</u>
301	PARK DEV. IMPACT FUND	\$2,871,149	\$464,751	41%	\$159,317	5%	\$305,434	\$120,303	\$3,056,280		\$3,183,153
302	PARK MAINTENANCE	\$2,692,750	\$323,663	208%	\$128,809	76%	\$194,854		\$2,887,604	\$2,887,603	
303	LOCAL DRAINAGE	\$2,534,182	\$367,515	117%	\$12,100	1%	\$355,415	\$3,500	\$2,886,097		\$2,889,596
304	LOCAL DRAINAGE/NON-AB1600	\$3,067,721	\$276,512	198%	\$90,952	23%	\$185,560		\$3,253,281	\$3,113,281	
305	OFF-STREET PARKING	\$3,886	\$104	68%			\$104		\$3,990	\$3,991	
306	OPEN SPACE	\$244,803	\$87,788	n/a			\$87,788	\$20,000	\$312,591	\$332,591	
309	TRAFFIC IMPACT FUND	\$2,870,728	\$854,872	79%	\$916,669	60%	(\$61,797)	\$352,048	\$2,456,883		\$2,812,454
311	POLICE IMPACT FUND	\$1,168,761	\$86,650	133%	\$81,084	8%	\$5,566	\$20,000	\$1,154,327		\$1,174,327
313	FIRE IMPACT FUND	\$2,515,636	\$221,131	132%	\$152,084	100%	\$69,047		\$2,584,683		\$2,584,684
317	REDEVELOPMENT AGENCY	\$22,668,149	\$15,061,785	117%	\$17,229,648	53%	(\$2,167,863)	9,558,222	\$10,942,064	\$18,765,132	
327 / 328		\$20,823,005	\$4,633,117	131%	\$2,472,304	34%	\$2,160,813	17,128,516	\$5,855,301	\$6,122,010	
340	MORGAN HILL BUS.RANCH I	\$46,679	\$1,253	69%			\$1,253		\$47,932	\$47,932	
342	MORGAN HILL BUS.RANCH II	\$52,423	\$1,407	69%			\$1,407		\$53,830	\$53,830	
346	PUBLIC FACILITIES NON-AB1600	\$1,033,867	\$290,050	114%			\$290,050		\$1,323,917	\$1,323,917	
347	PUBLIC FACILITIES IMPACT FUND	\$1,058,347	\$89,082	60%	\$476,762	41%	(\$387,680)	\$952,365	(\$281,698)		\$690,256
348	LIBRARY IMPACT FUND	\$368,112	\$44,169	122%	\$864	415%	\$43,305		\$411,417		\$411,418
350	UNDERGROUNDING	\$1,135,781	\$199,559	29%	\$87,426	12%	\$112,133		\$1,247,914	\$1,247,913	
TOTAL C	APITAL PROJECT FUNDS	<u>\$65,155,979</u>	<u>\$23,003,408</u>	<u>112%</u>	<u>\$21,808,019</u>	<u>43%</u>	<u>\$1,195,389</u>	<u>\$28,154,954</u>	<u>\$38,196,413</u>	<u>\$33,898,200</u>	<u>\$13,745,888</u>
527	HIDDEN CREEK	Ī		n/a	T	ı	1	I		1	
533	DUNNE/CONDIT			n/a							
536	ENCINO HILLS	\$65,771	\$1,755	42%	\$500		\$1,255		\$67,026	\$67,026	
539	MORGAN HILL BUS. PARK	\$11,486	\$297	42%	\$562		(\$265)		\$07,020 \$11,221	\$11,220	
542	SUTTER BUSINESS PARK	\$24,079	\$646	10%	ΨΟΟΖ		\$646		\$24,725	\$24,725	
542 545	COCHRANE BUSINESS PARK	\$606,826	\$241,203	152%	\$476,125	106%	(\$234,922)		\$371,904	\$190,953	\$180,950
5 4 5 551	JOLEEN WAY	\$31,630	\$33,599	78%	\$36,133	85%	(\$2,534)		\$29,096	\$11,847	\$17,250
		. ,	. ,		. ,				. ,	. , , ,	
TOTAL D	EBT SERVICE FUNDS	<u>\$739,792</u>	<u>\$277,500</u>	<u>126%</u>	\$513,320	<u>105%</u>	<u>(\$235,820)</u>		<u>\$503,972</u>	<u>\$305,771</u>	<u>\$198,200</u>



City of Morgan Hill Fund Activity Summary - Fiscal Year 2002/03 Preliminary for the Month of June 30, 2003 100% of Year Completed

	T	3111 41114	_	100 /0 01	Tear Completed						
			Revenues		Expenses		Year to-Date	Ending Fun	nd Balance	Cash and In	vestments
Fund		Fund Balance	YTD	% of	YTD	% of	Deficit or				_
No.	Fund	06-30-02	Actual	Budget	Actual	Budget	Carryover	Reserved ¹	Unreserved	Unrestricted	Restricted ²
640	SEWER OPERATIONS	\$17,312,471	\$5,250,314	91%	\$5,979,174	86%	(\$728,860)	\$11,923,547	\$4,660,064	\$4,448,590	\$1,862,697
641	SEWER IMPACT FUND	\$7,244,335	\$1,006,860	77%	\$1,913,098	39%	(\$906,238)	1,921,090	\$4,417,007	Ψ1,110,000	\$4,974,985
642	SEWER RATE STABILIZATION	\$3,469,485	\$308,725	250%	\$2,190	100%	\$306,535	1,021,000	\$3,776,020	\$3,776,020	Ψ1,071,000
643	SEWER-CAPITAL PROJECTS	\$9,417,751	\$590,028	97%	\$1,236,247	39%	(\$646,219)	6,199,480	\$2,572,052	\$3,149,581	
650	WATER OPERATIONS	\$23,155,862	\$6,199,856	96%	\$7,466,736	27%	(\$1,266,880)	\$20,034,319	\$1,854,663	\$1,828,423	\$390,179
651	WATER IMPACT FUND	\$2,757,348	\$637,029	27%	\$1,387,106	44%	(\$750,077)	3,108,559	(\$1,101,289)	* 1,0=0,1=0	\$124,646
652	WATER RATE STABILIZATION	\$838,989	\$22,517	69%	\$509	100%	\$22,008	2,100,000	\$860,997	\$860,997	
653	WATER -CAPITAL PROJECT	\$7,869,151	\$1,301,960	108%	\$1,610,630	35%	(\$308,670)	3,919,233	\$3,641,249	\$3,886,106	
TOTAL F		. , , ,	. , , ,	0.00/	. , , ,	C00/			. , , ,	. , , , ,	£7.050.507
IUIALE	NTERPRISE FUNDS	<u>\$72,065,392</u>	<u>\$15,317,289</u>	<u>86%</u>	<u>\$19,595,690</u>	<u>60%</u>	<u>(\$4,278,401)</u>	<u>\$47,106,228</u>	<u>\$20,680,763</u>	<u>\$17,949,717</u>	<u>\$7,352,507</u>
700	DATA DDOOFOOING	0400 405	#004 400 T	4000/	#00F 000	F00/	040.455	00.504	0070.040	# 400.000	1
730	DATA PROCESSING	\$429,425	\$381,188	100%	\$365,033	56%	\$16,155	66,564	\$379,016	\$400,096	
740	BUILDING MAINTENANCE	\$155,445	\$837,141	100%	\$478,737	73%	\$358,404	27,056	\$486,793	\$531,873	
745	CIP ADMINISTRATION	\$83,108	\$1,165,818	89%	\$1,165,818	85%	(000 445)	123,577	(\$40,469)	\$113,728	
760	UNEMPLOYMENT INS.	\$77,693	\$970	100%	\$31,385	63%	(\$30,415)	***	\$47,278	\$47,278	***
770	WORKER'S COMP.	\$42,756	\$450,494	113%	\$561,121	104%	(\$110,627)	\$39,000	(\$106,871)	\$605,290	\$30,000
790	EQUIPMENT REPLACEMENT	\$3,279,710	\$492,934	96%	\$75,469	40%	\$417,465	901,534	\$2,795,641	\$2,813,834	
793	CORPORATION YARD	\$412,656	\$1,077,240	462%	\$848,577	251%	\$228,663	263,657	\$377,662	\$315,378	
795	GEN'L LIABILITY INS.	\$833,756	\$355,592	92%	\$422,311	128%	(\$66,719)		\$767,037	\$1,115,409	
TOTAL II	NTERNAL SERVICE FUNDS	<u>\$5,314,549</u>	\$4,761,377	<u>117%</u>	\$3,948,451	<u>96%</u>	\$812,926		\$4,706,087	\$5,942,886	\$30,000
820	SPECIAL DEPOSITS									\$777,966	
841	M.H. BUS.RANCH A.D.	\$1,620,366	\$732,715	541%	\$735,151	101%	(\$2,436)		\$1,617,930	\$1,039,603	\$578,326
842	M.H. BUS. RANCH II A.D.	\$270,163	\$41,959	42%	\$207,239	97%	(\$165,280)		\$104,883	\$45,370	\$59,513
843	M.H. BUS. RANCH 1998	\$1,685,884	\$917,285	40%	\$1,112,924	101%	(\$195,639)		\$1,490,245	\$603,825	\$886,420
845	MADRONE BP-TAX EXEMPT	\$1,696,402	\$796,714		\$1,182,687	107%	(\$385,973)		\$1,310,429	\$510,817	\$799,612
846	MADRONE BP-TAXABLE	\$246,281	\$208,740	108%	\$198,716	72%	\$10,024		\$256,304	\$102,265	\$154,384
848	TENNANT AVE.BUS.PK A.D.	\$319,288	\$39,233	40%	\$836		\$38,397		\$357,685	\$357,686	
881	POLICE DONATION TRUST FUND	\$20,240	\$543	40%			\$543		\$20,783		\$20,783
TOTAL A	GENCY FUNDS	\$5,858,624	\$2,737,189	108%	\$3,437,553	100%	(\$700,364)		\$5,158,259	\$3,437,532	\$2,499,038
		+3,223,521	12):31):32	<u> </u>	+2,121,222		4+++++		+0,100,200	+5,101,000	12,100,000
SUMMAR	RY BY FUND TYPE										
		r								· · · · · · · · · · · · · · · · · · ·	
	GENERAL FUND GROUP	\$11,232,426	\$15,096,060	93%	\$15,634,976	92%	(\$538,916)	\$124,437	\$10,569,073	\$11,388,228	\$4,150
	SPECIAL REVENUE GROUP	\$7,473,801	\$5,451,879	104%	\$6,273,064	63%	(\$821,185)	\$1,716,083	\$4,936,533	\$6,272,619	\$10,794
	DEBT SERVICE GROUP	\$739,792	\$277,500	126%	\$513,320	105%	(\$235,820)		\$503,972	\$305,771	\$198,200
	CAPITAL PROJECTS GROUP	\$65,155,979	\$23,003,408	112%	\$21,808,019	43%	\$1,195,389	\$28,154,954	\$38,196,413	\$33,898,200	\$13,745,888
	ENTERPRISE GROUP	\$72,065,392	\$15,317,289	86%	\$19,595,690	60%	(\$4,278,401)	\$47,106,228	\$20,680,763	\$17,949,717	\$7,352,507
	INTERNAL SERVICE GROUP	\$5,314,549	\$4,761,377	117%	\$3,948,451	96%	\$812,926		\$4,706,087	\$5,942,886	\$30,000
	AGENCY GROUP	\$5,858,624	\$2,737,189	108%	\$3,437,553	100%	(\$700,364)		\$5,158,259	\$3,437,532	\$2,499,038
	TOTAL ALL GROUPS	<u>\$167,840,563</u>	<u>\$66,644,702</u>	<u>100%</u>	<u>\$71,211,073</u>	<u>60%</u>	<u>(\$4,566,371)</u>	<u>\$77,101,702</u>	\$84,751,100	<u>\$79,194,953</u>	<u>\$23,840,577</u>
	TOTAL CASH AND INVESTMENTS									\$103,035,530	

For Enterprise Funds - Unrestricted fund balance = Fund balance net of fixed assets and long-term liabilities.

¹ Amount restricted for encumbrances, fixed asset replacement, long-term receivables, and bond reserves.

² Amount restricted for debt service payments and AB1600 capital expansion projects as detailed in the City's five year CIP Plan and bond agreements.



CITY OF MORGAN HILL CASH AND INVESTMENT REPORT PRELIMINARY FOR THE MONTH OF JUNE 2003 FOR THE FISCAL YEAR OF 2002-03

in Fund		End of Month	Subtotal at Cost	Total	Value
	Yield	Life of Month	Subtotal at Cost	Total	value
All Funds Pooled RDA Corp Yard	1.86% 1.86% 1.86%	\$28,930,870 \$29,732,413 \$51,372		28.08% 28.86% 0.05%	\$29,029,966 \$29,834,255 \$51,548
All Funds Pooled	3.88%	\$31,494,148		30.57%	\$31,738,805
All Funds Pooled	1.08%	\$4,211,826	\$94,420,629	4.09%	\$4,211,826
Sewer	4.78% 0.89%	\$1,849,401 \$13,296		1.81%	\$1,862,697
Water	1.29%	\$390,179		0.38%	\$390,179
MH Ranch Agency Fund	1.29%	\$886,420		0.86%	\$886,420
Madrone Bus Park Agency Fund	1.29%	\$799,612		0.78%	\$799,612
Madrone Bus Park Agency Fund	1.29%	\$154,384	\$4,093,292	0.15%	\$154,384
All Funds All Funds		\$4,487,459		4.36% 0.00%	\$4,487,459 \$0
Workers' Comp		\$30,000		0.03%	\$30,000
Various Funds	Ē	\$4,150	\$4,521,609	0.00%	\$4,150
		<u>\$103,035,530</u>	<u>\$103,035,530</u>	<u>100.00%</u>	\$103,481,301
	RDA Corp Yard All Funds Pooled All Funds Pooled Sewer Water MH Ranch Agency Fund Madrone Bus Park Agency Fund Madrone Bus Park Agency Fund All Funds All Funds Workers' Comp	RDA 1.86% Corp Yard 1.86% All Funds Pooled 3.88% All Funds Pooled 1.08% Sewer 4.78% 0.89% Water 1.29% MH Ranch Agency Fund 1.29% Madrone Bus Park Agency Fund 1.29% Madrone Bus Park Agency Fund 1.29% All Funds All Funds Workers' Comp	RDA Corp Yard 1.86% 1.86% \$29,732,413 \$51,372 All Funds Pooled 3.88% \$31,494,148 All Funds Pooled 1.08% \$4,211,826 Sewer 4.78% 0.89% \$1,849,401 \$13,296 Water 1.29% \$390,179 MH Ranch Agency Fund 1.29% \$886,420 Madrone Bus Park Agency Fund 1.29% \$799,612 Madrone Bus Park Agency Fund 1.29% \$154,384 All Funds All Funds \$4,487,459 Workers' Comp \$30,000 Various Funds \$4,150 \$103,035,530	RDA 1.86% \$29,732,413 Corp Yard 1.86% \$51,372 All Funds Pooled 3.88% \$31,494,148 All Funds Pooled 1.08% \$4,211,826 \$94,420,629 Sewer 4.78% \$1,849,401 0.89% \$13,296 Water 1.29% \$390,179 MH Ranch Agency Fund 1.29% Agency Fund 1.29% \$799,612 Madrone Bus Park Agency Fund 1.29% Agency Fund 1.29% \$154,384 \$4,093,292 All Funds \$4,487,459 All Funds \$30,000 Vorkers' Comp \$30,000 Various Funds \$4,150 \$4,521,609	RDA Corp Yard 1.86% \$29,732,413

Fund Type	07/01/02 Balance	Change in Cash Balance	06/30/03 Balance	Restricted	Unrestricted
General Fund	\$11,396,207	(\$3,829)	\$11,392,378	\$4,150	\$11,388,228
Community Development	\$2,011,445	(\$446,316)	\$1,565,129	\$0	\$1,565,129
RDA (except Housing)	\$22,128,854	(\$3,363,722)	\$18,765,132	\$0	\$18,765,132
Housing / CDBG	\$4,167,760	\$2,078,830	\$6,246,590	\$0	\$6,246,590
Water - Operations	\$3,198,853	(\$980,251)	\$2,218,602	\$390,179	\$1,828,423
Water Other	\$6,342,342	(\$1,470,593)	\$4,871,749	\$124,646	\$4,747,103
Sewer - Operations	\$7,057,299	(\$746,012)	\$6,311,287	\$1,862,697	\$4,448,590
Sewer Other	\$13,270,287	(\$1,369,701)	\$11,900,586	\$4,974,985	\$6,925,601
Other Special Revenue	\$3,379,537	(\$374,677)	\$3,004,860	\$0	\$3,004,860
Streets and Capital Projects (except RDA)	\$23,005,915	\$1,339,875	\$24,345,790	\$13,756,682	\$10,589,108
Assessment Districts	\$736,561	(\$232,590)	\$503,971	\$198,200	\$305,771
Internal Service	\$5,284,536	\$688,350	\$5,972,886	\$30,000	\$5,942,886
Agency Funds	\$6,427,696	(\$491,126)	\$5,936,570	\$2,499,038	\$3,437,532
Total	\$108,407,292	(\$5,371,762)	\$103,035,530	\$23,840,577	\$79,194,953

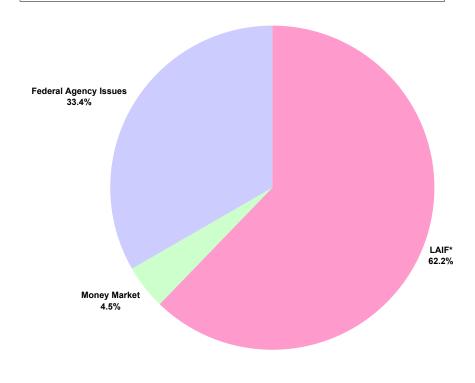
Note: See Investment Porfolio Detail for maturities of "Investments." Market values are obtained from the City's investment brokers' monthly reports. *Market Value as of 05/31/03

I certify the information on the investment reports on pages 6-8 has been reconciled to the general ledger and bank statements and that there are sufficient funds to meet the expenditure requirements of the City for the next six months. The portfolio is in compliance with the City of Morgan Hill investment policy and all State laws and regulations.

Prepared by:		Approved by:	
	Lourdes Reroma Accountant I	Jack Dilles Director of	
Verified by:	Tina Reza Assistant Director of Finance	Mike Roor City Treas	



CITY OF MORGAN HILL INVESTMENT PORTFOLIO DETAIL as of 06/30/03*



*Preliminary

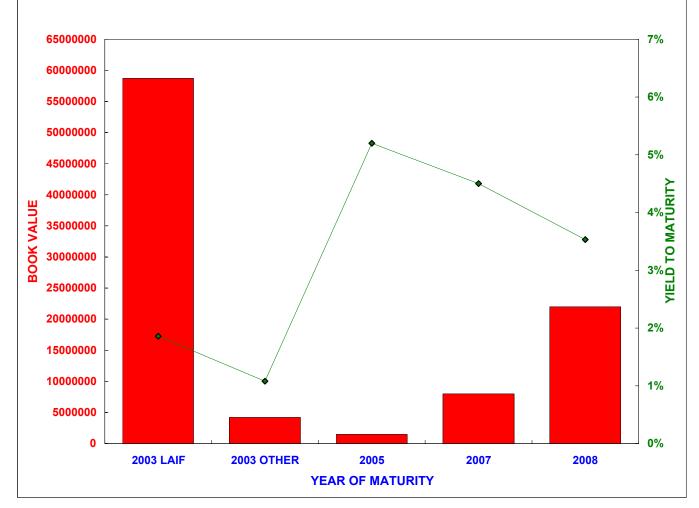
Investment Type	Purchase Date	Book Value	% of Portfolio	Market Value	Stated Rate	Interest Earned	Next Call Date	Date of Maturity	Years to Maturity
LAIF*		\$58,714,655	62.18%	\$58,915,768	1.858%	\$1,177,658			0.003
Federal Agency Issues									
Fed Natl Mortgage Assn Fed Home Loan Bank Fed Home Loan Bank	08/01/01 07/09/02 08/20/02	\$1,500,000 \$4,000,000 \$2,000,000	1.59% 4.24% 2.12%	\$1,505,625 \$4,002,520 \$2,006,880	5.200% 4.875% 4.250%	\$78,000 \$190,691 \$73,260	08/01/05 07/09/03 08/20/03	08/01/05 07/09/07 08/20/07	2.088 4.025 4.140
Fed Natl Mortgage Assn Fed Home Loan Bank Fed Home Loan Bank	09/27/02 02/04/03 03/11/03	\$2,000,000 \$2,000,000 \$2,000,000	2.12% 2.12% 2.12%	\$2,011,880 \$2,004,380 \$2,029,380	4.000% 3.900% 3.500%	\$60,870 \$31,674 \$21,304	09/27/03 08/04/03 03/11/04	09/27/07 02/04/08 03/11/08	4.244 4.600 4.699
Fed Home Loan Mgt Corp Fed Home Loan Bank Fed Home Loan Mgt Corp Fed Home Loan Bank	03/12/03 03/26/03 04/08/03 04/14/03	\$2,000,000 \$2,000,000 \$2,000,000 \$2,000,000	2.12% 2.12% 2.12% 2.12%	\$2,029,920 \$2,028,760 \$2,036,700 \$2,001,880	3.500% 3.375% 3.700% 3.813%	\$21,114 \$17,792 \$16,984 \$16,252	03/12/04 03/26/04 04/08/04 07/14/03	03/12/08 03/26/08 04/08/08 04/14/08	4.701 4.740 4.775 4.792
Fed Home Loan Mgt Corp Fed Home Loan Mgt Corp Fed Farm Credit Bank	04/16/03 04/17/03 05/14/03	\$2,000,000 \$1,994,148 \$2,000,000	2.12% 2.11% 2.11% 2.12%	\$2,035,840 \$2,013,780 \$2,005,620	3.600% 3.691% 3.617%	\$14,951 \$15,373 \$9,436	04/16/04 10/17/03 08/14/03	04/16/08 04/17/08 05/14/08	4.797 4.800 4.874
Fed Farm Credit Bank Fed Farm Credit Bank Redeemed FY 02/03	06/03/03 06/12/03	\$2,000,000 \$2,000,000	2.12% 2.12%	\$2,016,260 \$2,009,380	3.210% 2.950%	\$4,911 \$3,063 \$1,026,764	12/03/03 12/12/03	06/03/08 06/12/08	4.929 4.953
Sub Total/Average		\$31,494,148	33.36%	\$31,738,805	3.879%	\$1,602,439			4.485
Money Market		\$4,211,826	4.46%	\$4,211,826	1.080%	\$32,830			0.003
TOTAL/AVERAGE	=	\$94,420,628	100.00%	\$94,866,399	2.490%	\$2,812,927			1.567

^{*}Per State Treasurer Report dated 05/31/2003, LAIF had invested approximately 13% of its balance in Treasury Bills and Notes, 20% in CDs, 24% in Commercial Paper and Corporate Bonds, 0% in Banker's Acceptances and 43% in others.



CITY OF MORGAN HILL

INVESTMENT MATURITIES AS OF JUNE 30, 2003*



*Preliminary

YEAR OF	BOOK	MARKET	AVERAGE	% OF
MATURITY	VALUE	VALUE	RATE	TOTAL
2003 LAIF	\$58,714,654	\$58,915,768	1.858%	62.18%
2003 OTHER	\$4,211,826	\$4,211,826	1.080%	4.46%
2005	\$1,500,000	\$1,505,625	5.200%	1.59%
2007	\$8,000,000	\$8,021,280	4.500%	8.47%
2008	\$21,994,148	\$22,211,900	3.532%	23.29%
TOTAL	\$94,420,628	\$94,866,399	2.490%	100.00%



FUND			CURRENT			INCR (DECR)	
REVENUE	ADOPTED	AMENDED	YTD	%	PRIOR	FROM PRIOR	%
SOURCE	BUDGET	BUDGET	ACTUAL	OF BUDGET	YTD	YTD	OF BUDGET
010 GENERAL FUND							
<u>TAXES</u>							
Property Taxes - Secured/Unsecured/Prio	1,883,000	1,883,000	2,130,400	113%	1,972,969	157,431	8%
Supplemental Roll	125,000	125,000	164,068	131%	174,336	(10,268)	-6%
Sales Tax	5,330,000	5,330,000	4,662,227	87%	4,941,806	(279,579)	
Public Safety Sales Tax	288,400	288,400	244,466	85%	266,240	(21,774)	
Transient Occupancy Taxes	892,000	892,000	670,866	75%	699,429	(28,563)	
Franchise (Refuse ,Cable ,PG&E)	965,000	965,000	829,878	86%	810,891	18,987	2%
Property Transfer Tax	220,000	220,000	253,359	<u>115%</u>	245,330	8,029	<u>3%</u>
TOTAL TAXES	9,703,400	9,703,400	8,955,264	92%	9,111,001	(155,737)	-2%
LICENSES/PERMITS							
Business License	164,000	164,000	150,709	92%	156,857	(6,148)	
Other Permits	45,450	45,450	41,028	90%	41,889	(861)	
TOTAL LICENSES/PERMITS	209,450	209,450	191,737	92%	198,746	(7,009)	-4%
FINES AND PENALTIES							
Parking Enforcement	15,000	15,000	8,760	58%	12,480	(3,720)	
City Code Enforcement	82,000	82,000	57,017	70%	71,379	(14,362)	
Business tax late fee/other fines	-	2,500	1,756	<u>n/a</u>	2,656	(900)	
TOTAL FINES AND PENALTIES	97,000	99,500	67,533	68%	86,515	(18,982)	-22%
OTHER AGENCIES	4 005 000	4 005 000	0.005.457	40.40/	4 004 007	100 100	70/
Motor Vehicle in-Lieu	1,965,000 228.300	1,965,000	2,035,157	104%	1,904,697	130,460	7%
Other Revenue - Other Agencies TOTAL OTHER AGENCIES	2,193,300	228,300 2,193,300	<u>123,512</u> 2,158,669	<u>54%</u> 98%	254,146 2,158,843	(130,634) (174)	
	,,	,,	,,		,,	,	
CHARGES CURRENT SERVICES							
False Alarm Charge	24,000	24,000	25,192	105%	23,178	2,014	9%
Business License Application Review	18,000	18,000	25,265	140%	23,109	2,156	9%
Recreation Classes	231,741	231,741	125,072	54%	41,148	83,924	204%
General Administration Overhead	1,855,937	1,855,937	1,855,934	100%	1,575,484	280,450	18%
Other Charges Current Services TOTAL CURRENT SERVICES	184,898 2,314,576	182,398 2,312,076	204,065 2,235,528	<u>112%</u> 97%	225,968 1,888,887	(21,903) 346,641	<u>-10%</u> 18%
OTHER REVENUE							
Use of money/property	724,400	739,400	502,193	68%	438,348	63,845	15%
Other revenues	78,950	78,950	59,804	76%	82,518	(22,714)	
TOTAL OTHER REVENUE	803,350	818,350	561,997	69%	520,866	41,131	8%
TRANSFERS IN							
Park Maintenance	100,000	100,000	100,000	100%	100,000	-	n/a
Sewer Enterprise	17,500	17,500	17,500	100%	15,000	2,500	17%
Water Enterprise	17,500	17,500	17,500	100%	15,000	2,500	17%
Public Safety	270,000	270,000	270,000	100%	159,422	110,578	69%
Community Cultural Center	520,332	520,332	520,332	100%	-	520,332	n/a
Other Funds	<u> </u>	-		<u>n/a</u>	233,236	(233,236)	<u>-100%</u>
TOTAL TRANSFERS IN	925,332	925,332	925,332	100%	522,658	402,674	77%
TOTAL GENERAL FUND	16,246,408	16,261,408	15,096,060	93%	14,487,516	608,544	4%



FUND REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGET	CURRENT YTD ACTUAL	% OF BUDGET	PRIOR YTD	INCR (DECR) FROM PRIOR YTD	% OF BUDGE
SPECIAL REVENUE FUNDS	BODGET	BUDGET	ACTUAL	OF BUDGET	110	110	OF BUDGE
202 STREET MAINTENANCE							
Gas Tax 2105 - 2107.5	658,000	658,000	726,348	110%	666,436	59,912	9%
Measure A & B	-	-	-	n/a	-	-	n/a
Tea 21	-	-	-	n/a		-	n/a
Transfers In	977,000	977,000	977,000	100%	780,000	197,000	25%
Project Reimbursement	117,000	117,000	110,965	95%	357,922	(246,957)	-69%
Interest / Other Revenue/Other Charges	55,500	55,500	42,274	<u>76%</u>	217,261	(174,987)	<u>-81%</u>
202 STREET MAINTENANCE	1,807,500	1,807,500	1,856,587	103%	2,021,619	(165,032)	-8%
204/205 PUBLIC SAFETY TRUST							
Interest Income	30,400	30,400	17,229	57%	22,316	(5,087)	-23%
Police Grant/SLEF	100,000	100,000	100,000	100%	100,000	-	n/a
PD Block Grant	-	-	-	n/a	10,070	(10,070)	-100%
CA Law Enforcement Equip.Grant	-	-	20,765	n/a	40,663	(19,898)	-49%
Federal Police Grant (COPS)	30,000	30,000	17,874	60%	41,226	(23,352)	
Transfers In	-	-	-	<u>n/a</u>	-	(==,===,	n/a
204/205 PUBLIC SAFETY TRUST	160,400	160,400	155,868	97%	214,275	(58,407)	
DOC COMMUNITY DEVEL ORMENT							
206 COMMUNITY DEVELOPMENT Building Fees	1,134,000	1,134,000	1,453,488	128%	978,035	475,453	49%
Planning Fees	438,147	438,147	482,648	110%	272,828	209,820	77%
5		480,000		127%			2%
Engineering Fees	480,000		607,206		594,288	12,918	
Other Revenue/Current Charges	66,276	66,276	48,220	73%	123,477	(75,257)	-61%
Transfers 206 COMMUNITY DEVELOPMENT	2,118,423	2,118,423	2,591,562	<u>n/a</u> 122%	<u>150,703</u> 2,119,331	(150,703) 472,231	<u>-100%</u> 22%
						•	
207 GENERAL PLAN UPDATE	113,582	113,582	122,864	108%	34,404	88,460	257%
215 and 216 HCD BLOCK GRANT							
HCD allocation	181,306	181,306	2,800	2%	73,716	(70,916)	-96%
Interest Income/Other Revenue	50,000	50,000	15,581	31%	4,508	11,073	246%
<u>Transfers</u>				<u>n/a</u>	<u>-</u>		n/a
215 and 216 HCD BLOCK GRANT	231,306	231,306	18,381	8%	78,224	(59,843)	-77%
210 COMMUNITY CENTER	119,041	119,041	122,594	103%	219,015	(96,421)	-44%
220 MUSEUM RENTAL	212	212	74	35%	122	(48)	
225 ASSET SEIZURE	2,057	2,057	1,246	61%	25,863	(24,617)	
226 OES/FEMA	-,007	_,007	.,	n/a	8,750	(8,750)	
229 LIGHTING AND LANDSCAPE	107,429	107,429	133,138	124%	110,908	22,230	20%
232 ENVIRONMENTAL PROGRAMS	380,755	380,755	331,806	87%	318,357	13,449	4%
234 MOBILE HOME PARK RENT STAB.	2,507	2,507	17,826	711%	61,670	(43,844)	-71%
235 SENIOR HOUSING	85,541	85,541	17,520	21%	22,547	(4,955)	
236 HOUSING MITIGATION	37,500	37,500	27,519	73%	1,019,619	(992,100)	
240 EMPLOYEE ASSISTANCE	80,786	80,786	54,822	68%	- 1,019,019	54,822	-97 / ₀ n/a
TOTAL SPECIAL REVENUE FUNDS	5,247,039	5,247,039	5,451,879	104%	6,254,704	(802,825)	-13%



FILLID	,		CUBBENE			INOD (DECE)	
FUND	ADORTED	AMENDED	CURRENT	0/	DDIOD	INCR (DECR)	0/
REVENUE SOURCE	ADOPTED BUDGET	AMENDED BUDGET	YTD ACTUAL	% OF BUDGET	PRIOR YTD	FROM PRIOR YTD	% OF BUDGE
CAPITAL PROJECTS FUNDS	BUDGET	DUDGET	ACTUAL	OF BUDGET	טוו	טוז	OF BUDGE
	4 400 000	4 400 000	404 ==4	440/		400.000	200/
301 PARK DEVELOPMENT	1,129,006	1,129,006	464,751	41%	362,059	102,692	28%
302 PARK MAINTENANCE	155,300	155,300	323,663	208%	375,248	(51,585)	-14%
303 LOCAL DRAINAGE	315,223	315,223	367,515	117%	304,314	63,201	21%
304 LOCAL DRAINAGE/NON AB1600	139,949	139,949	276,512	198%	210,793	65,719	31%
305 OFF-STREET PARKING	152	152	104	68%	92	(405.242)	13%
306 OPEN SPACE	4 000 000	4 000 000	87,788	n/a	193,000	(105,212)	
309 TRAFFIC MITIGATION	1,080,268	1,080,268	854,872	79%	1,338,317	(483,445)	
311 POLICE MITIGATION 313 FIRE MITIGATION	64,919 166,935	64,919 166,935	86,650 221,131	133% 132%	50,948 146,680	35,702 74,451	70% 51%
	100,000	100,000		10270	140,000	1 4,401	0170
RIT RDA CAPITAL PROJECTS Property Taxes & Supplemental Roll	12,084,000	12,084,000	14,669,674	121%	12,758,463	1,911,211	15%
Development Agreements	12,004,000	12,004,000	14,009,074	n/a	12,130,403	1,811,411	n/a
· -	- E0E 9E3	- E0E 0E2	274 560		674.065	(400.306)	
Interest Income, Rents	595,853 152,500	595,853	274,569	46% 77%	674,965	(400,396)	-59%
Other Agencies/Current Charges 317 RDA CAPITAL PROJECTS	152,500 12,832,353	152,500 12,832,353	117,542 15,061,785	<u>77%</u> 11 7%	762,941 14,196,369	(645,399) 865,416	<u>-85%</u> 6%
TIT RDA GAFITAL FROSEGIS	12,032,333	12,032,333	13,001,703	117 /0	14, 190,309	003,410	0 76
327/328 RDA L/M HOUSING							
Property Taxes & Supplemental Roll	3,438,000	3,438,000	4,195,953	122%	3,509,407	686,546	20%
Interest Income, Rent	100,000	100,000	345,889	346%	172,325	173,564	101%
<u>Other</u>	590	590	91,275	<u>15470%</u>	825	90,450	<u>10964%</u>
327/328 RDA L/M HOUSING	3,538,590	3,538,590	4,633,117	131%	3,682,557	950,560	26%
346 PUBLIC FACILITIES NON-AB1600	254,300	254,300	290,050	114%	259,505	30,545	12%
347 PUBLIC FACILITIES	148,617	148,617	89,082	60%	83,807	5,275	6%
348 LIBRARY	36,299	36,299	44,169	122%	32,026	12,143	38%
350 UNDERGROUNDING	692,745	692,745	199,559	29%	310,912	(111,353)	-36%
340 MORGAN HILL BUS.RANCH CIP I	1,825	1,825	1,253	69%	1,150	103	9%
342 MORGAN HILL BUS.RANCH CIP II	2,052	2,052	1,407	69%	1,236	171	14%
TOTAL CAPITAL PROJECTS FUNDS	20,558,533	20,558,533	23,003,408	112%	21,549,013	1,454,395	7%
DEBT SERVICE FUNDS							
	_			_			_
527 HIDDEN CREEK	-	-	-	n/a	-	-	n/a
533 DUNNE AVE. / CONDIT ROAD	4.000	4.000	4	n/a	4 400	-	n/a
536 ENCINO HILLS	4,209	4,209	1,755	42%	1,402	353	25%
539 MORGAN HILL BUSINESS PARK	7,707	7,707	297	4%		297	n/a
542 SUTTER BUSINESS PARK	6,215	6,215	646	10%		646	n/a
545 COCHRANE BUSINESS PARK	158,673	158,673	241,203	152%	280,282	(39,079)	
551 JOLEEN WAY	43,068	43,068	33,599	78%	35,960	(2,361)	-7%
TOTAL DEBT SERVICE FUNDS	219,872	219,872	277,500	126%	317,644	(40,144)	-13%



FUND			CURRENT			INCR (DECR)	
REVENUE	ADOPTED	AMENDED	YTD	%	PRIOR	FROM PRIOR	%
SOURCE	BUDGET	BUDGET	ACTUAL	OF BUDGET	YTD	YTD	OF BUDGET
ENTERPRISE FUNDS							
640 SEWER OPERATION							
Sewer Service Fees	5,389,650	5,389,650	4,997,968	93%	5,369,205	(371,237)	-7%
Interest Income	295,119	295,119	121,935	41%	187,945	(66,010)	-35%
Sewer Rate Stabilization	-	-	-	n/a		-	n/a
Other Revenue/Current Charges	113,900	113,900	130,411	<u>114%</u>	115,259	15,152	<u>13%</u>
640 SEWER OPERATION	5,798,669	5,798,669	5,250,314	91%	5,672,409	(422,095)	-7%
641 SEWER EXPANSION							
Interest Income	176,887	176,887	146,045	83%	142,649	3,396	2%
Connection Fees	1,125,000	1,125,000	860,023	76%	1,532,237	(672,214)	-44%
<u>Other</u>			792	<u>n/a</u>	792		n/a
641 SEWER EXPANSION	1,301,887	1,301,887	1,006,860	77%	1,675,678	(668,818)	-40%
642 SEWER RATE STABILIZATION	123,378	123,378	308,725	250%	387,838	(79,113)	-20%
643 SEWER-CAPITAL PROJECT	608,429	608,429	590,028	97%	459,890	130,138	28%
TOTAL SEWER FUNDS	7,832,363	7,832,363	7,155,927	91%	8,195,815	(1,039,888)	-13%
650 WATER OPERATION							
Water Sales	5,855,915	5,855,915	5,528,471	94%	5,791,605	(263,134)	-5%
Meter Install & Service	48,000	48,000	53,410	111%	37,464	15,946	43%
Transfers-In, and Interest Income	384,673	384,673	282,152	73%	323,559	(41,407)	-13%
Other Revenue/Current Charges	171,770	171,770	335,823	<u>196%</u>	294,828	40,995	14%
650 WATER OPERATION	6,460,358	6,460,358	6,199,856	96%	6,447,456	(247,600)	-4%
651 WATER EXPANSION							
	400 600	1 000 602	477 407	240/	27 560	440.010	1632%
Interest Income/Other Revenue/Transfer Water Connection Fees	480,602	1,980,602	477,487	24%	27,569	449,918	
	387,000	387,000	159,542	<u>41%</u>	207,620	(48,078)	
651 WATER EXPANSION	867,602	2,367,602	637,029	27%	235,189	401,840	171%
652 Water Rate Stabilization	32,844	32,844	22,517	69%	19,638	2,879	15%
653 Water Capital Project	1,207,662	1,207,662	1,301,960	108%	960,659	341,301	36%
TOTAL WATER FUNDS	8,568,466	10,068,466	8,161,362	81%	7,662,942	498,420	7%
TOTAL ENTERPRISE FUNDS	16,400,829	17,900,829	15,317,289	86%	15,858,757	(541,468)	-3%
INTERNAL SERVICE FUNDS	10,100,020	11,000,020	10,011,200	33,0	10,000,101	(011,100)	
730 INFORMATION SERVICES	381,190	381,190	381,188	100%	588,873	(207,685)	
740 BUILDING MAINTENANCE SERVICES	837,139	837,139	837,141	100%	752,456	84,685	11%
745 CIP ADMINISTRATION	1,308,226	1,308,226	1,165,818	89%	1,027,245	138,573	13%
760 UNEMPLOYMENT INSURANCE	970	970	970	100%	-	970	n/a
770 WORKERS COMPENSATION	399,907	399,907	450,494	113%	423,144	27,350	6%
790 EQUIPMENT REPLACEMENT	511,371	511,371	492,934	96%	473,460	19,474	4%
793 CORPORATION YARD COMMISSION	233,033	233,033	1,077,240	462%	511,606	565,634	111%
795 GENERAL LIABILITY INSURANCE	387,806	387,806	355,592	92%	400,076	(44,484)	-11%
TOTAL INTERNAL SERVICE FUNDS	4,059,642	4,059,642	4,761,377	117%	4,176,860	584,517	14%



FUND			CURRENT			INCD (DECD)	
_						INCR (DECR)	
REVENUE	ADOPTED	AMENDED	YTD	%	PRIOR	FROM PRIOR	%
SOURCE	BUDGET	BUDGET	ACTUAL	OF BUDGET	YTD	YTD	OF BUDGET
AGENCY FUNDS							
841 M.H. BUS.RANCH A.D. I	135,458	135,458	732,715	541%	651,484	81,231	12%
842 M.H. BUS.RANCH A.D. II	99,679	99,679	41,959	42%	90,203	(48,244)	-53%
843 M.H. BUS.RANCH 1998	939,155	939,155	917,285	98%	917,862	(577)	0%
845 MADRONE BP-TAX EXEMPT	846,721	846,721	796,714	94%	917,484	(120,770)	-13%
846 MADRONE BP-TAXABLE	184,234	184,234	208,740	113%	150,650	58,090	39%
848 TENNANT AVE.BUS.PK A.D.	332,553	332,553	39,233	12%	399,948	(360,715)	-90%
881 POLICE DONATION TRUST FUND	1,371	1,371	543	40%	552	(9)	-2%
TOTAL AGENCY FUNDS	2,539,171	2,539,171	2,737,189	108%	3,128,183	(390,994)	-12%
TOTAL FOR ALL FUNDS	65,271,494	66,786,494	66,644,702	100%	65,772,677	1,924,374	3%



		THIS						
FUND		MONTH						PERCENT OF
NO.	FUND/ACTIVITY	ACTUAL	ADOPTED	AMENDED	YTD	OUTSTANDING	TOTAL	TOTAL TO
		EXPENSES	BUDGET	BUDGET	EXPENSES	ENCUMBRANCE	ALLOCATED	BUDGET

010 GENERAL FUND				•			
I. GENERAL GOVERNMENT							
COUNCIL AND MISCELLANEOUS GOVT							
City Council	12,555	236,417	242,371	180,953	-	180,953	75%
Community Promotions	12,089	40,604	47,303	43,267	6,707	49,974	<u>106%</u>
COUNCIL AND MISCELLANEOUS GO	24,644	277,021	289,674	224,220	6,707	230,927	80%
CITY ATTORNEY	92,914	668,556	901,176	824,739	-	824,739	<u>92%</u>
CITY MANAGER							
City Manager	26,423	393,276	446,628	383,862		383,862	86%
Cable Television	717	46,755	61,366	59,582	1,750	61,332	100%
Communications & Marketing	7,892	116,982	116,982	98,560		98,560	84%
CITY MANAGER	35,032	557,013	624,976	542,004	1,750	543,754	87%
RECREATION							
Recreation	40,425	479,220	486,520	455,577	10,911	466,488	96%
Community & Cultural Center	48,616	684,196	710,546	523,403	28,917	552,320	78%
Building Maintenance (CCC)	23,530	205,115	220,115	191,498	31,824	223,322	<u>101%</u>
RECREATION	112,571	1,368,531	1,417,181	1,170,478	71,652	1,242,130	88%
HUMAN RESOURCES							
Human Resources	39,489	606,543	607,257	542,585	-	542,585	89%
Volunteer Programs	1,811	38,193	38,193	26,611	<u>-</u>	26,611	<u>70%</u>
HUMAN RESOURCES	41,300	644,736	645,450	569,196	-	569,196	88%
CITY CLERK							
City Clerk	18,276	373,823	404,150	244,972	861	245,833	61%
Elections	3,307	65,811	65,811	49,120	<u>-</u>	49,120	<u>75%</u>
CITY CLERK	21,583	439,634	469,961	294,092	861	294,953	63%
FINANCE	67,284	1,075,090	1,094,207	888,797	2,015	890,812	81%
MEDICAL SERVICES	-	120,000	120,000	50,000	-	50,000	42%
TOTAL GENERAL GOVERNMENT	395,328	5,150,581	5,562,625	4,563,526	82,985	4,646,511	84%
II. PUBLIC SAFETY							
POLICE							
POLICE DD Administration	40.000	E00 570	E00 572	444.504		444 504	750/
PD Administration Patrol	40,369 232,824	596,573 3,131,616	596,573 3,138,478	444,524 3,071,377	6,218	444,524 3,077,595	75% 98%
Support Services	67,318	867,088	868,069	886,685	1,434	888,119	102%
Emergency Services/Haz Mat	2,122	89,549	89,549	50,411	1,434	50,411	56%
Special Operations	60,002	792,804	792,804	838,298	3,575	841,873	106%
Animal Control	23,466	71,919	71,919	88,234	13,858	102,092	142%
Dispatch Services	68,628	821,421	885,913	719,169	1,100	720,269	81%
POLICE	494,729	6,370,970	6,443,305	6,098,698	26,185	6,124,883	95%
FIRE	301,995	3,623,938	3,623,938	3,623,938	-	3,623,938	100%
TOTAL DUDLIC SAFETY	706 704	0.004.000	10.067.049	0 722 626	26.405	0.740.004	070/
TOTAL PUBLIC SAFETY	796,724	9,994,908	10,067,243	9,722,636	26,185	9,748,821	97%
III. COMMUNITY IMPROVEMENT							
PARK MAINTENANCE	74,570	826,483	879,230	811,814	15,267	827,081	94%
TOTAL COMMUNITY IMPROVEMENT	74 570	026 402	070 020	044 044	45.067	027.004	0.40/
TOTAL COMMUNITY IMPROVEMENT	74,570	826,483	879,230	811,814	15,267	827,081	94%



	CITI OF MORGAN THEE	THIS	100% of Fea	. Joinpicted		1		
FUND NO.	FUND/ACTIVITY	MONTH ACTUAL EXPENSES	ADOPTED BUDGET	AMENDED BUDGET	YTD EXPENSES	OUTSTANDING ENCUMBRANCE	TOTAL ALLOCATED	PERCENT O TOTAL TO BUDGET
W TDA	NSFERS							
IV. INA	INGI ENG							
	Street Maintenance Community Center General Plan Update	94,250 5,000	377,000 100,000 60,000	377,000 100,000 60,000	377,000 100,000 60,000	-	377,000 100,000 60,000	100% 100% <u>100%</u>
то	·		,			-	,	
	DTAL TRANSFERS	99,250	537,000	537,000	537,000	-	537,000	100%
TOTAL 0	GENERAL FUND	1,365,872	16,508,972	17,046,098	15,634,976	124,437	15,759,413	92%
SPECIAL	L REVENUE FUNDS							
202 STR	EET MAINTENANCE							
	Street Maintenance/Traffic	168,139	1,705,475	1,835,629	1,456,341	153,722	1,610,063	88%
	Congestion Management	3,487	79,820	79,820	65,401	-	65,401	82%
	Street CIP	14,542	120,097	1,398,774	284,524	676,315	960,839	<u>69%</u>
202 STR	EET MAINTENANCE	186,168	1,905,392	3,314,223	1,806,266	830,037	2,636,303	80%
204/205	PUBLIC SAFETY/SUPP.LAW	22,545	315,538	315,538	315,538		315,538	100%
206 COI	MMUNITY DEVELOPMENT FUND							
	Planning	94,838	1,146,916	1,422,356	1,157,151	156,717	1,313,868	92%
	Building	61,525	1,040,589	1,129,357	857,731	62,832	920,563	82%
206 COI	PW-Engineering MMUNITY DEVELOPMENT FUND	72,270 228,633	1,120,346 3,307,851	1,160,252 3,711,965	973,179 2,988,061	49,521 269,070	1,022,700 3,257,131	<u>88%</u> 88%
207	GENERAL PLAN UPDATE	15,066	162,996	203,959	30,114	140,402	170,516	84%
210	COMMUNITY CENTER	43,361	520,332	520,332	520,332	140,402	520,332	100%
215/216		4,672	231,306	232,806	35,321	54,307	89,628	38%
220	MUSEUM RENTAL	197	3,069	3,069	2,792	· -	2,792	91%
225	ASSET SEIZURE		34,060	34,060	20,000	-	20,000	59%
226	OES/FEMA	-	-	-	-	-	-	n/a
229	LIGHTING AND LANDSCAPE	37,204	138,672	139,639	159,540	12,246	171,786	123%
232	ENVIRONMENT PROGRAMS	27,677	318,170	384,242	266,499	49,432	315,931	82%
234	MOBILE HOME PARK	16,232	70,335	70,335	61,539	-	61,539	87%
236	HOUSING MITIGATION FUND	4,265	1,032,119	1,032,119	20,500	-	20,500	2%
240	EMPLOYEE ASSISTANCE	-	40,000	40,000	46,562	-	46,562	116%
OTAL S	SPECIAL REVENUE FUNDS	586,020	8,079,840	10,002,287	6,273,064	1,355,494	7,628,558	76%
CAPITAL	L PROJECT FUNDS							
301	PARK DEVELOPMENT	12,753	2,856,587	3,215,379	159,317	120,303	279,620	9%
302	PARK MAINTENANCE	25,000	165,000	170,422	128,809		128,809	76%
303	LOCAL DRAINAGE	1,679	1,866,589	2,094,305	12,100	3,500	15,600	1%
304	LOCAL DRAIN. NON-AB1600	7,647	161,727	396,685	90,952	-	90,952	23%
309	TRAFFIC MITIGATION	40,827	183,541	1,526,406	916,669	352,048	1,268,717	83%
311	POLICE MITIGATION	512	1,058,142	1,058,142	81,084	20,000	101,084	10%
313	FIRE MITIGATION	119	1,428	151,428	152,084	-	152,084	100%
317	RDA BUSINESS ASSISTANCE	865,943	19,353,409	32,464,906	17,229,648	7,614,156	24,843,804	77%
327/328	RDA HOUSING	167,134	6,313,976	7,238,924	2,472,304	214,699	2,687,003	37%
346	PUBLIC FAC.NON AB1600	-	-	-	-	-	-	n/a
347	PUBLIC FACILITIES	87,531	56,412	1,155,026	476,762	952,365	1,429,127	124%
348	LIBRARY IMPACT	17	208	208	864	-	864	415%
350	UNDERGROUNDING	1,651	730,404	730,404	87,426	-	87,426	12%
	DARITAL BRO LECTO TURIS	4.040.045	00 7 17 100	F0 000 00-	04 000 050	0.000.00	04 007 007	2007
TOTAL C	CAPITAL PROJECTS FUNDS	1,210,813	32,747,423	50,202,235	21,808,019	9,277,071	31,085,090	62%



			100/0 01 100	Oompicica				
FUND NO.	FUND/ACTIVITY	THIS MONTH ACTUAL EXPENSES	ADOPTED BUDGET	AMENDED BUDGET	YTD EXPENSES	OUTSTANDING ENCUMBRANCE	TOTAL	PERCENT OF TOTAL TO BUDGET
		LXI LITOLO	DODGET	DODOLI	EXI ENGLO	LITOOMBRANCE	ALLOGATED	DODOLI
DEBT SI	ERVICE FUNDS							
527	HIDDEN CREEK A.D.	_	_	_	_	_	_	n/a
536	ENCINO HILLS A.D.	_	_	_	500	_	500	n/a
539	MORGAN HILL BUS. PARK A.D	_	-	_	562	_	562	n/a
542	SUTTER BUS. PARK A.D.	-	-	-	-	-	-	n/a
545	COCHRANE BUS. PARK A.D.	(1,019)	139,309	448,309	476,125	-	476,125	106%
551	JOLEEN WAY A.D.	(5,851)	42,569	42,569	36,133	-	36,133	85%
TOTAL I	DEBT SERVICE FUNDS	(6,870)	181,878	490,878	513,320	-	513,320	105%
ENTERF	PRISE FUNDS							
0514/50								
SEWER		EC4 0E0	6 07E 024	6 020 270	5 070 474	402.042	6 002 007	000/
640 641	SEWER OPERATION CAPITAL EXPANSION	561,058 463	6,875,234 4,006,874	6,929,378 4,936,874	5,979,174 1,913,098	103,913 359,590	6,083,087 2,272,688	88% 46%
642	SEWER RATE STABILIZATION	463 183	2,190	4,936,874 2,190	2,190	აეშ,ეშ0	2,272,688	46% 100%
643	SEWER RATE STABILIZATION SEWER-CAPITAL PROJECTS	182,822	2,190 1,822,627	2,190 3,156,637	1,236,247	439,828	2,190 1,676,075	100% <u>53%</u>
	SEWER FUND(S)	744,526	12,706,925	15,025,079	9,130,709	903,331	10,034,040	67%
TOTAL	OLIVERT GRO(O)	144,020	12,700,020	10,020,010	3,100,703	300,001	10,004,040	01 70
WATER		4 405 500	0.040.057		0.504.007	550.004	7 000 000	000/
	Water Operations Division Meter Reading/Repair	1,135,529 37,187	6,948,657 616,878	8,686,693 688,718	6,534,397 537,984	552,291 123,718	7,086,688 661,702	82% 96%
	Utility Billing	24,507	347,753	458,755	391,318	3,945	395,263	86%
	Water Conservation	24,307 96	11,320	11,320	3,037	3,943	3,037	27%
650	WATER OPERATIONS	1,197,319	7,924,608	9,845,486	7,466,736	679,954	8,146,690	83%
651	CAPITAL EXPANSION	213,981	900,234	3,123,047	1,387,106	1,138,253	2,525,359	81%
652	WATER RATE STABILIZATION	42	509	509	509	.,,	509	100%
653	WATER-CAPITAL PROJECTS	63,346	810,955	4,622,731	1,610,630	244,859	1,855,489	40%
	WATER FUND(S)	1,474,688	9,636,306	17,591,773	10,464,981	2,063,066	12,528,047	71%
TOTAL I	ENTERPRISE FUNDS	2,219,214	22,343,231	32,616,852	19,595,690	2,966,397	22,562,087	69%
INTERN	AL SERVICE FUNDS							
730	INFORMATION SERVICES	15,239	586,190	653,455	365,033	20,484	385,517	59%
740	BUILDING MAINTENANCE	43,762	588,128	659,440	478,737	23,722	502,459	76%
745	CIP ENGINEERING	84,173	1,308,227	1,374,356	1,165,818	105,686	1,271,504	93%
760	UNEMPLOYMENT	-	25,000	50,000	31,385	-	31,385	63%
770	WORKERS COMPENSATION	32,174	482,200	539,025	561,121	39,000	600,121	111%
790	EQUIPMENT REPLACEMENT CORP YARD COMMISSION	56,571 54,366	186,472	186,472	75,469	18,193	93,662	50%
793 795	GEN. LIABILITY INSURANCE	54,266 2,100	227,600 330,600	337,970 330,600	848,577 422,311	32,179 -	880,756 422,311	261% 128%
TOTAL I	INTERNAL SERVICE FUNDS	288,285	3,734,417	4,131,318	3,948,451	239,264	4,187,715	101%
AGENC	Y FUNDS							
841	MORGAN HILL BUS RANCH I	6,890	730,155	730,155	735,151	-	735,151	101%
842	MORGAN HILL BUS RANCH II	(5,022)	89,995	213,995	207,239	-	207,239	97%
843	MORGAN HILL BUS RANCH 98	8,247	883,336	1,105,336	1,112,924	-	1,112,924	101%
845	MADRONE BP-TAX EXEMPT	6,832	1,084,479	1,105,479	1,182,687	-	1,182,687	107%
846	MADRONE BP-TAXABLE	(3,657)	183,851	276,851	198,716	-	198,716	72%
848	TENNANT AVE BUS PARK AD		-	-	836	-	836	n/a
881	POLICE DONATION TRUST	-	-	-	-	-	-	n/a
TOTAL A	AGENCY FUNDS	13,290	2,971,816	3,431,816	3,437,553	-	3,437,553	100%
REPORT	T TOTAL	5,676,624	86,567,577	117,921,484	71,211,073	13,962,663	85,173,736	72%
ALI OR	JIAL	0,070,024	00,001,017	117,321,404	7 1,2 11,073	10,302,003	00,170,700	1 2 /0



City of Morgan Hill Enterprise Funds Report - Fiscal Year 2002/03 Preliminary for the Month of June 30, 2003 100% of Year Completed

YTD INCOME STATEMENT FOR CURRENT AND PRIOR YEAR

		Sewer Oper	rations			Water Ope	rations	
			% of	Prior			% of	Prior
	Budget	YTD	Budget	YTD	Budget	YTD	Budget	YTD
Operations								
Revenues								
Service Charges Meter Install & Service	\$ 5,389,650	\$ 4,997,968	93%	\$ 5,369,205	\$ 5,855,915 48,000	\$ 5,528,471 53,410	94% 111%	\$ 5,791,605 37,464
Other	113,900	130,411	114%	115,259	155,566	335,823	216%	294,828
Total Operating Revenues	5,503,550	5,128,379	93%	5,484,464	6,059,481	5,917,704	98%	6,123,897
Expenses								
Operations Meter Reading/Repair Utility Billing/Water Conservation	3,979,047	3,785,652	95%	3,582,453	4,523,153 688,718 470,075	3,910,058 500,796 369,752	86% 73% 79%	3,296,485 437,376 305,699
Total Operating Expenses	3,979,047	3,785,652	95%	3,582,453	5,681,946	4,780,606	84%	4,039,560
Operating Income (Loss)	1,524,503	1,342,727		1,902,011	377,535	1,137,098		2,084,337
Nonoperating revenue (expense)								
Interest Income Interest Expense/Debt Services Principal Expense/Debt Services	295,119 (1,403,954) (655,000)	121,935 (667,145) (635,000)	41% 48% 97%	(963,134)	227,000 (337,720) (210,320)	108,275 (327,508) (219,331)	48% 97% 104%	148,016 (337,720) (210,320)
Total Nonoperating revenue (expense)	(1,763,835)	(1,180,210)		(1,430,189)	(321,040)	(438,564)		(400,024)
Income before operating xfers	(239,332)	162,517		471,822	56,495	698,534		1,684,313
Operating transfers in Operating transfers (out)	- (891,377)	- (891,377)	100%	- (725,543)	173,877 (3,577,500)	173,877 (2,077,500)	100% 58%	175,543 (1,265,000)
Net Income (Loss)	\$ (1,130,709)	\$ (728,860)		\$ (253,721)	\$ (3,347,128)	\$ (1,205,089)		\$ 594,856



City of Morgan Hill **Balance Sheets - Water and Sewer Funds** Preliminary June 30, 2003 100% of Year Complete

	Sewer Operations (640)	Sewer Expansion Stabilization Capital Projects (641-643)	Water Operations (650)	Water Expansion Stabilization Capital Projects (651-653)
ASSETS				
Cash and investments:				
Unrestricted	4,448,590	6,925,601	1,828,423	4,747,103
Restricted ¹	1,862,697	4,974,985	390,179	124,646
Accounts Receivable		6,564		
Utility Receivables	731,493		956,089	
Less Allowance for Doubtful Accounts	(15,230)		(55,868)	
Notes Receivable ² Fixed Assets ³	33,230,110	7,321,152	24,217,670	5,644,680
Total Assets	40,257,660	19,228,302	27,336,493	10,516,429
LIABILITIES				
Accounts Payable and Accrued Liabilities Deposits for Water Services Deferred Revenue 4	400,876	204,953	156,331 37,694	
Bonds Payable	25,390,000		6,205,194	
Discount on Bonds and Other Liabilities	(2,157,387)		(1,016,593)	
Accrued Vacation and Comp Time	40,560		64,885	
Total liabilities	23,674,049	204,953	5,447,511	0
FUND EQUITY				
Contributed Capital Retained Earnings	7,155,284		13,742,872	
Reserved for:				
Noncurrent water/sewer assets & debt	9,956,937	7,321,152	18,964,185	5,644,680
Encumbrances	103,913	799,418	679,955	1,383,112
Notes Receivable Restricted Cash	1,862,697	0	390,179	
		0.100 ===		
Total Reserved Retained Earnings	11,923,547	8,120,570	20,034,319	7,027,792
Unreserved Retained Earnings	4,660,064	10,902,779	1,854,663	3,488,637
Total Fund Equity	16,583,611	19,023,349	21,888,982	10,516,429
Total Liabilities and Fund Equity	40,257,660	19,228,302	27,336,493	10,516,429

¹ Restricted for Bond Reserve requirements and capital expansion.
² Includes Note for Sewer Financing Agreements.

³ Includes Water and Sewer infrastructure and the City's share of the Wastewater treatment plant.

⁴ Includes the deferred payment portion of the loans noted above.



City of Morgan Hill Balance Sheets for Major Funds - Fiscal Year 2002-2003 Preliminary June 30, 2003 100% of Year Complete

L/M Housing

Sewer

Water

RDA

	(Fund 010)	(Fund 317)	(Fund 327/328)	(Fund 640)	(Fund 650)
ASSETS	(1 01101 0110)	(* 33333 5 5 7	(* ************************************	(1 2.114 2 12)	(construction)
Cash and investments:					
Unrestricted	11,388,229	18,765,132	6,122,009	4,448,590	1,828,423
Restricted ¹	4,150		, ,	1,862,697	390,179
Accounts Receivable	937,551	34,101	9,445		•
Utility Receivables (Sewer and Water)				731,493	956,089
Less Allowance for Doubtful Accounts Loans and Notes Receivable ²	540.000	0.070.000	00.404.004	(15,230)	(55,868)
Prepaid Expense	512,363 9,438	2,872,986	22,494,801		
Fixed Assets ³	0,400	71,049		33,230,110	24,217,670
1 1/04 / 100010		7 1,040		50,200,110	24,217,070
Total Assets	12,851,731	21,743,268	28,626,255	40,257,660	27,336,493
LIABILITIES					
Accounts Payable and Accrued Liabilities Deposits for Water Services	334,956	237,764	59,290	400,876	156,331 37,694
Deferred Revenue ⁴	610,793	999,969	5,580,985		
Bonds Payable				25,390,000	6,205,194
Discount on Bonds and Other Liabilities	1,088,702	5.040	0.460	(2,157,387)	(1,016,593)
Accrued Vacation and Comp Time	123,769	5,249	2,162	40,560	64,885
Total liabilities	2,158,220	1,242,982	5,642,437	23,674,049	5,447,511
FUND EQUITY					
Contributed Capital				7,155,284	13,742,872
Fund Balance / Retained Earnings					
Reserved for:					
Noncurrent water/sewer assets & debt				9,956,937	18,964,185
Encumbrances	124,437	7,614,156	214,699	103,913	679,955
Restricted Cash				1,862,697	390,179
RDA properties held for resale		71,049	40 042 047		
Loans and Notes Receivable		1,873,017	16,913,817		
Total Reserved Fund Equity	124,437	9,558,222	17,128,516	11,923,547	20,034,319
Designated Fund Equity ⁵	3,382,000				
Unreserved/Undesignated Fund Equity	7,187,074	10,942,064	5,855,302	4,660,064	1,854,663
Total Fund Equity	10,693,511	20,500,286	22,983,818	16,583,611	21,888,982
Total Liabilities and Fund Equity	12,851,731	21,743,268	28,626,255	40,257,660	27,336,493

General Fund

¹ Restricted for Petty Cash use, Bond Reserve requirements and sewer and water capital expansion.

² Includes Housing Rehab loans, Financing Agreements for Public Works Fees and loans for several housing and Agency projects.

³ Includes Water and Sewer infrastructure, the City's share of the Wastewater treatment plant and RDA properties held for resale.

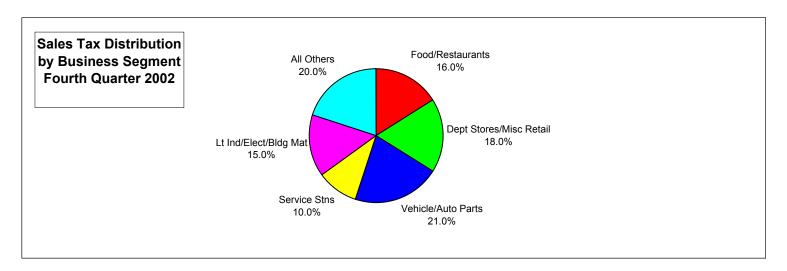
⁴ Includes the deferred payment portion of the loans noted above.

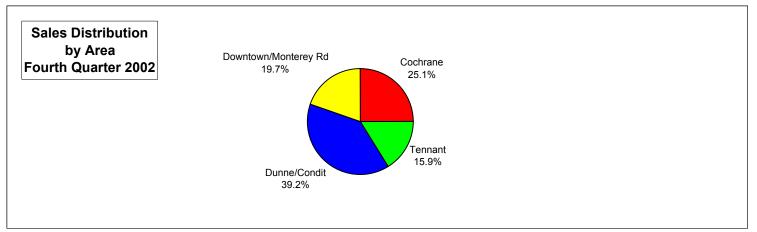
⁵ Designated for economic uncertainty, emergencies, and Fire Master Plan implementation



City of Morgan Hill
Sales Tax Comparison - Fiscal Year 2002/03
Preliminary for the Month of June 2003
100% of Year Complete

	Amount Collecte	d for Month f	or Fiscal Year	Amount Colle	cted YTD for	Fiscal Year	Comparison of YTD for fiscal years		
Month	02/03	01/02	00/01	02/03	01/02	00/01	02/03 to 01/02	02/03 to 00/01	
		•		-	•			<u> </u>	
July	\$367,600	\$377,700	\$306,000	\$367,600	\$377,700	\$306,000	(10,100)	61,600	
August	\$447,000	\$503,600	\$408,000	\$814,600	\$881,300	\$714,000	(66,700)	100,600	
September	\$361,932	\$437,056	\$584,766	\$1,176,532	\$1,318,356	\$1,298,766	(141,824)	(122,234)	
October	\$354,915	\$339,000	\$319,200	\$1,531,447	\$1,657,356	\$1,617,966	(125,909)	(86,519)	
November	\$474,800	\$452,000	\$425,600	\$2,006,247	\$2,109,356	\$2,043,566	(103,109)	(37,319)	
December	\$384,154	\$538,465	\$524,333	\$2,390,401	\$2,647,821	\$2,567,899	(257,420)	(177,498)	
January	\$368,600	\$393,900	\$337,700	\$2,759,001	\$3,041,721	\$2,905,599	(282,720)	(146,598)	
February	\$487,195	\$466,068	\$450,200	\$3,246,196	\$3,507,789	\$3,355,799	(261,593)	(109,603)	
March	\$225,908	\$351,548	\$607,260	\$3,472,104	\$3,859,337	\$3,963,059	(387,233)	(490,955)	
April	\$292,698	\$341,042	\$324,700	\$3,764,802	\$4,200,379	\$4,287,759	(435,577)	(522,957)	
May	\$394,500	\$461,500	\$432,900	\$4,159,302	\$4,661,879	\$4,720,659	(502,577)	(561,357)	
June	\$502,924	\$275,116	\$811,473	\$4,662,226	\$4,936,995	\$5,532,132	(274,769)	(869,906)	
							, ,	,	
Year To Da	ite Totals			\$4,662,226	\$4,936,995	\$5,532,132	-\$274,769	-\$869,906	
Sales Tax E	Budget for Year			\$5,330,000	\$5,300,000	\$4,462,817			
Percent of	Budget			87%	93%	124%			
	increase(decreas	e)					-6%	-16%	







APPROVAL OF 2003/04 SOUTH COUNTY REGIONAL WASTEWATER AUTHORITY (SCRWA) BUDGET RECOMMENDED ACTIONS:

	1)	Approve tl	e attached	2003/04	SCRWA	budge
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2) Adjust the adopted 2003/04 City of Morgan Hill Sewer Operations & Sewer Impact budgets as detailed in Exhibits A & B

Agenda Item #2
Prepared By:
Finance Director
Submitted By:
City Manager

EXECUTIVE SUMMARY:

The Joint Exercise of Powers Agreement Creating the South County Regional Wastewater Authority, dated May 19, 1992, provides in Section 4.2 that "...After the (SCRWA) Board preliminarily approves of a general budget, it shall be submitted immediately to the City Councils of the Member Agencies by July 1 following preparation of each budget. A copy of the budget shall be filed with each Member Agency..." Consequently, City staff is presenting to the City Council for approval the budget adopted by the SCRWA Board on June 10, 2003.

The SCRWA budget is being presented to the City Council at this time because this is the first opportunity that City staff has had, following receipt and review of the document, to bring it to the City Council. The actual SCRWA budget documents were finalized by SCRWA staff on June 17 and subsequently provided to City staff. This is the first year, to staff's knowledge, that staff has brought the entire SCRWA budget document to the City Council. In prior years, the entire SCRWA budget was not brought to the City Council for approval; rather, only the specific contributions paid by Morgan Hill to SCRWA for operations and for capital projects were included in the adopted City budget.

FISCAL IMPACT:

The City's 2003/04 Budget, adopted by the City Council on June 18, includes preliminary amounts for Morgan Hill costs that were provided to the SCRWA Board on May 13. The net effect of the budgetary changes for SCRWA capital projects are to move approximately \$1,137,000 in Morgan Hill contributions for capital costs from projected 2002/03 costs to budgeted 2003/04 costs. The changes reflected in the final SCRWA budget also increase budgeted 2003/04 Morgan Hill contributions for SCRWA operations costs by approximately \$248,000, most of which is attributable to re-budgeting 2002/03 projected, but unexpended, costs as 2003/04 expenditures.



VOTING DELEGATE FOR 2003 LEAGUE OF CALIFORNIA CITIES ANNUAL CONFERENCE

Agenda Item # 3
Prepared By:
Council Services &
Records Manager/City Clerk
Submitted By:

City Manager

RECOMMENDED ACTIONS:

- 1. <u>Approve</u> appointment by Mayor of Voting Delegate and Alternate Voting Delegate to the League of California Cities' Annual Conference; and
- 2. <u>Direct</u> the City Clerk to Complete the Voting Delegate Form and <u>Forward</u> said form to the League of California Cities.

EXECUTIVE SUMMARY:

The League of California Cities will be holding its Annual Conference Sunday, September 7 through Wednesday, September 10, 2003 in Sacramento. At the Annual Conference, the League conducts its Annual Business Meeting where League Members take action on conference resolutions. These resolutions help guide cities and the League in its efforts to improve the quality, responsiveness and vitality of local government in California. The League's bylaws stipulate that each city is entitled to one vote on matters affecting municipal or League policy. The Annual Business meeting is scheduled for Wednesday, September 10 at 10 a.m. at the Sacramento Convention Center. The memorandum from the League of California Cities requesting the Designation of a Voting Delegate for the League's Annual Conference is attached to the staff report.

The League of California Cities will be mailing its Resolutions to cities on August 10. The City Council's Legislative Committee is scheduled to review the League's Resolutions the week of August 27. The City Council will have the opportunity to review said Resolutions at the September 5, 2001 City Council meeting in advance of the League's Annual Business meeting.

It is being requested that the Mayor and the City Council appoint a delegate and an alternate to serve as the City's voting delegate for the League's Annual Conference and that staff be directed to submit these names to the League of California Cities.

FISCAL IMPACT: No fiscal impact.



CITY COUNCIL STAFF REPORT

MEETING DATE: July 16, 2003

APPROVAL OF RECLASSIFICATION
RECOMMENDATION FOR ASSISTANT PLANNER AND
ADOPTION OF REVISED CLASSIFICATION
SPECIFICATION AND SALARY RANGE FOR THE
BUILDING INSPECTOR/FACILITIES MAINTENANCE
COORDINATOR POSITION.

RECOMMENDED ACTIONS:

- 1. <u>Approve</u> the reclassification recommendation for the Assistant Planner in the Planning Division.
- **Adopt** the revised job description and salary range for the Building Inspector/Facilities Maintenance Coordinator in the Building Division

Agenda Item # 4
Prepared By:
Administrative Analyst
Approved By:
(Department Director)
Submitted By:

City Manager

EXECUTIVE SUMMARY:

Assistant Planner in the Planning Division

Last month a study was conducted by a Human Resources consultant, Carla Turner, to determine whether the position currently classified as Assistant Planner in the Planning Division was appropriately classified. After an analysis of the position description, discussions with the incumbent, supervisor, and director, and a review of the City's salary structure, Ms. Turner recommends that the position's duties and responsibilities are more appropriately characterized by the City's Associate Planner classification. The Human Resources Department has reviewed the material supplied by Ms. Turner and concurs that the appropriate classification for this position be Associate Planner.

Building Inspector/Facilities Maintenance Coordinator in the Building Division

In 2002 the City contracted with Maximus, a consulting firm, to perform an audit on development processing services in the City. The firm recommended reclassification of one of the three Building Inspector positions to the Senior Building Inspector level. Last month the Human Resources department conducted a review and analysis of the position's duties, responsibilities and job requirements, and a salary survey to compare with positions in other jurisdictions.

It was determined that the scope of responsibilities in the position currently classified as Building Inspector/Facilities Maintenance Coordinator, has increased considerably. The incumbent supervises and coordinates the field operations of the Building Division, trains new field personnel, performs the more complex commercial and residential inspections for the City and assists in preparation and administration of the division budget, which are not part of the original requirements for the position. The scope of position responsibilities and job requirements are now more closely aligned with those of a Senior Building Inspector.

Five cities were found to have suitable job descriptions for Senior Building Inspector. Those cities are Santa Clara, Milpitas, Mountain View, Campbell, Palo Alto and Livermore. The salaries of those positions in other cities are comparable to Morgan Hill's Public Works Inspection Supervisor; therefore, it is appropriate that the revised classification specification (attached) for the position of Senior Building Inspector/Facilities Maintenance Coordinator be set at the same salary range (attached) as this position.

FISCAL IMPACT:

Assistant Planner in the Planning Division

The annual fiscal impact is \$4,380. That amount has been included in the Planning Division budget.

Building Inspector/Facilities Maintenance Coordinator in the Building Division

The annual fiscal impact is \$7,784.40. That amount has been included in the Building Division budget.



EXTENSION OF CONTRACT FOR CONSULTANT PLANNING SERVICES

RECOMMENDED ACTION:

Authorize the City Manager to execute an extension to the consultant services agreement for contract planning services at a cost not to exceed \$75,000.

Agenda Item # 5
Prepared By:
Community
Development Director
Submitted By:
•
City Manager

EXECUTIVE SUMMARY:

The budget for FY 2003-2004 includes funding for a new Senior Planner position. That position was added to undertake a number of important projects authorized by the Council including the update of the Zoning and Subdivision Ordinance, the Murphy Corridor study and preparation of a greenbelt study. To date, we have been unable to fill this position. So as not to further delay the start of the above planning projects, the City retained the services of a contract planner to assist with these and other projects. The contract planner is authorized to work a maximum of 20 hours per week and is under contract through the end of June.

Staff is requesting that the Contract for Consultant Planning Services be extended from June 30, 2003 to June 30, 2004 and the amount of the contract be increased by \$75,000. The cost savings from the vacant Senior Planner position will be used to cover this additional expense.

FISCAL IMPACT:

There would be no net effect on the budget by approval of this contract. Funding will come from the unused salary during the Senior Planner recruitment process.



TITLE –AGREEMENT WITH THE LAW FIRM OF ENDEMAN, LINCOLN, TUREK & HEATER

RECOMMENDED ACTION:

Authorize the City Manager to execute an Agreement with the law firm of Endeman, Lincoln, Turek & Heater.

Agenda Item # 6
Prepared By:
(Title)
Approved By:
(Department Director)
Submitted By:
City Manager

EXECUTIVE SUMMARY:

On July 10, 2002, the City entered into a contract with the law firm of Endeman, Lincoln, Turek & Heater to defend the City of Morgan Hill and the City of Morgan Hill Rent Review Commission in two actions filed by Hacienda Valley Mobile Estates: (1) a lawsuit filed in the Santa Clara County Superior Court and (2) an appeal filed in the United States Court of Appeals for the Ninth Circuit. The current contract expired on June 30, 2003. To cover the fees and expenses associated with the upcoming Petition for Writ of Mandate hearing in the state court action and the appellate briefs and possible oral argument in the Ninth Circuit, staff is recommending that Council approve the attached Consultant Agreement in the amount of \$37,500.

FISCAL IMPACT:

The cost of this Agreement can be accommodated in the Mobile Home Rent Commission's budget. No additional appropriation is necessary at this time.



APPROVAL OF RESOLUTION ELECTING TO BE SUBJECT TO SECTION 22873 OF THE PUBLIC EMPLOYEES' MEDICAL AND HOSPITAL CARE ACT TO PROVIDE HEALTH BENEFIT COVERAGE FOR THE DOMESTIC PARTNER OF AN EMPLOYEE OR RETIREE

Agenda Item # 7	
Prepared By:	
Human Resources Director	_
Submitted By:	
City Manager	_

RECOMMENDED ACTIONS:

1. Adopt Resolution.

EXECUTIVE SUMMARY:

Legislation has passed which allows domestic partners to register with the Secretary of State and to be eligible to enroll in a CalPERS health plan. The State will register same-sex domestic partnerships between persons 18 years or older and opposite sex domestic partners when both persons are over the age of 62. Public Agencies may elect to offer domestic partner health care benefits to their registered employees and retirees. The City of Morgan Hill is committed to keeping abreast of current workplace trends and responding to the changing needs of our employees in as timely a manner as possible. The adoption of this resolution will continue to uphold that commitment. This benefit provision will go into effect September 1, 2003.

FISCAL IMPACT: Cost of extending benefits to domestic partners of employees is unknown at this time since the City has no way of anticipating how many employees will enroll. Certainly, premiums for an employee plus one or family coverage are more expensive than for an employee only. Other cities who have elected to provide this benefit report minimal impact to the budget and it is anticipated that any additional cost will be absorbed in the current budget.

RESOLUTION NO. 5689

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL ELECTING TO BE SUBJECT TO SECTION 22873 OF THE PUBLIC EMPLOYEES' MEDICAL AND HOSPITAL CARE ACT TO PROVIDE HEALTH BENEFIT COVERAGE FOR THE DOMESTIC PARTNER OF AN EMPLOYEE OR RETIREE.

WHEREAS (1) Government Code Section 22850 and/or 22850.3 provides the benefits of the Public Employees' Medical and Hospital Care Act to employees of local agencies contracting with the Public Employees' Retirement System; and

WHEREAS (2) The City of Morgan Hill, hereinafter referred to as Contracting Agency, is a local agency contracting with the Public Employees' Retirement System under the Act; and

WHEREAS (3) Government Code Section 22873 allows a Contracting Agency to provide benefits to the domestic partners of employees and annuitants of local agencies contracting under the Act upon proper application; and

WHEREAS (4) The Contracting Agency desires to obtain for its employees and annuitants the benefit of Section 22873 and to accept the liabilities and obligations of a contracting agency under the Section; now, therefore, be it

RESOLVED (a) That the Contracting Agency elect; and it does hereby elect, to be subject to the provisions of Section 22873 of the Government Code.

PASSED AND ADOPTED by the City Council of Morgan Hill at a Regular Meeting held on the 16th Day of July, 2003, by the following vote.

AYES: COUNCIL MEMBERS: NOES: COUNCIL MEMBERS: ABSTAIN: COUNCIL MEMBERS: COUNCIL MEMBERS:

***** CERTIFICATION *****

I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA, do hereby certify that the foregoing is a true and correct copy of Resolution No. 5689, adopted by the City Council at a Regular Meeting held on July 16, 2003.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE:	
	IRMA TORREZ, City Clerk



Agenda Item # 8

Prepared By:

Human Resources
Director

Submitted By:

City Manager

CONTRACT FOR WORKERS' COMPENSATION THIRD PARTY ADMINISTRATOR (TPA)

RECOMMENDED ACTIONS:

1. Authorize the City Manager to execute a consultant services agreement for third party administration of workers' compensation at a cost not to exceed \$35,000.

EXECUTIVE SUMMARY:

Since February 1, 2002 the City has used the services of Athens Administrators to administer our self-insured workers' compensation program. Under their administration, the City reduced the backlog of open claims by 31 percent. Athens has established a record of consistent professional service to the City and to our employees. They also received a 93 percent ranking of "Excellent" by an independent audit of our claims.

Over the past three years the City has paid over \$1.2 million in workers' compensation claim costs. The City's average claim cost for the reporting period ending May 31, 2003 was \$6,165, up 4.2% from the year before. Rapidly increasing costs for medical expenses is the primary driver for increased claim costs, followed by increased administration driven by regulatory mandates. Also, on January 1, 2003 loss time pay increased from \$490 per week to \$603 per week and will increase again on 1-1-04 and again on 1-1-05 to \$840 per week. Annual adjustments after that time will be tied to the cost-of-living increases. The most current information concerning all workers' compensation claims throughout the state paints an even bleaker picture. Medical costs per claim increased 24.1% in 2002 over 2001.

It is anticipated, therefore, that the City's claims experience will continue to increase and that we continue a two-pronged approach by continuing with active safety and ergonomic training while we work closely with Athens to monitor and manage all claims.

FISCAL IMPACT: Cost of the contract for fiscal year 03-04 is included in the budgeted funds for the workers' compensation program.

LIST OF ATTACHMENTS:

ATTACHMENT A:

Services

ATTACHMENT B:

Service Fees



CITY VISIONS PRINTING RECOMMENDED ACTION(S):

Authorize the City Manager to Execute a Purchase Order in the Amount of \$21,890.11 for City Visions Printing and Film Development

Agenda Item # 9	
Prepared By:	
Assistant to the C	ity
Manager	-
Submitted By:	

City Manager

EXECUTIVE SUMMARY:

City Visions is the City's leading communication vehicle for the City government. Over the past year, information on dozens of topics has been included in Visions along with special reports on water quality and flooding. During the coming year, staff expects to highlight activities at the Community and Cultural Center, provide information on perchlorate contamination developments, track progress on the Aquatics Center and Police Station, and supply readers with crucial information on other new developments. City Visions is delivered directly by the Post Office to every deliverable address in the City.

Bids for printing Visions for this fiscal year were solicited from printers throughout the South County area. Numerous bids were received and Printworx of Watsonville submitted the lowest bid of \$21,890.11 for both film development and printing services. Staff has confidence in this vendor's professionalism and quality and recommends that the City Manager be authorized to execute a purchase order for City Visions printing.

FISCAL IMPACT:

Funds for this expense were included in printing line item of the Communications and Marketing Budget (010-42257-5145) on page 148 of the adopted City Budget. In addition to this account, several other accounts (Community Promotions and the Water Fund) will be charged for their special edition inserts into the publication.



APPROVE SOLE SOURCE PURCHASE OF WATER METERS

RECOMMENDED ACTION(S):

1. Approve purchase of water meters, meter parts and MXUs from Invensys Metering Systems (formerly Sensus Technologies) in accordance with Section 3.04.120.A (4) of the Municipal Code - Brand names or equal specification and Section 3.04.150.C - Sole Source Purchases

Agenda Item# 10	
Prepared By:	
Management Analyst	
Approved By:	
Department Director	
Submitted By:	
City Manager	

2. Approve purchase order of \$250,000 to Invensys Metering Systems for the annual supply of water meters, meter parts and MXUs.

EXECUTIVE SUMMARY: Section 3.04.120.A of the Municipal Code allows the City to purchase brand names or equal specifications when the Purchasing Officer determines that the use of brand name or equal specification is in the City's best interests. In addition, Section 3.04.150 of the Municipal Code provides that the City Council may approve a purchase where the Purchasing Officer determines that there is only one source to the required supply or service. The Purchasing Officer has made the above two determinations.

In 1987, the City began a program to install TouchRead water meters throughout the City. At that time a decision was made to use meters made by Sensus Technologies for all new construction and replacement meters. In February 1997, the use of meters from Sensus Technologies was reviewed from a program perspective and a market perspective. It was determined that it was appropriate to continue with the Sensus Technologies meter program. A pilot program was approved in FY 2000-01 to upgrade the TouchRead system in the Woodland, Jackson Oaks and Holiday hillside areas to RadioRead technology. This program will continue this year with the installation of an additional 1000 MXUs (Meter Transceiver Unit) in the hillside areas.

The Public Works Department is continuing the water meter replacement program and will be installing new water meters during FY 2003-04. It is appropriate to continue to use Invensys meters to insure a uniform water meter system throughout the City.

FISCAL IMPACT: This purchase is budgeted in the FY 2003-04 Meter Division (650-43897-5720).



APPROVAL OF REVISED MAIN AVENUE / UPRR CROSSING AGREEMENT

RECOMMENDED ACTION(S):

Approve the attached revised Main Ave. / UPRR Crossing Agreement, subject to the approval of the City Attorney

Agenda Item # 11
Prepared By:
Contract Project Manager
Approved By:
Public Works Director
Submitted By:

City Manager

EXECUTIVE SUMMARY:

At the last Council meeting, on July 2, the Council approved an agreement with UPRR for widening and installation of certain improvements of the UPRR crossing at Main Avenue. The agreement included the provision for the City to pay UPRR for additional right-of-way and for relocation of the signals. The total amount approved was \$92,802.

At that time Staff was being told by UPRR that a separate agreement would be following, and that agreement would cover the costs of the UPRR installation of concrete panels where the road surface crosses the tracks. Instead, the attached agreement was recently received. It is a revision of the agreement that was just approved by Council. The revision includes the panels and the cost of the panels is shown as an increase of \$90,136 in the City obligation.

At this time Staff recommends approval of the revised Crossing Agreement with UPRR, subject to the review and approval by the City Attorney.

FISCAL IMPACT:

The revised agreement commits the City to paying to UPRR a total of \$182,938 for installation of concrete grade crossing panels, signal relocation and right-of-way purchase. Sufficient funds exist in the current year CIP budget, Project No. 524000.



CITY COUNCIL STAFF REPORT

MEETING DATE: July 16, 2003

AWARD CONTRACT FOR CONSTRUCTION OF THE

MONTEREY ROAD/UPRR UNDERCROSSING PEDESTRIAN AND BIKEWAY IMPROVEMENT PROJECT

RECOMMENDED ACTION(S):

- 1. Approve an appropriation of \$175,000 from the current year unappropriated Traffic Impact Fee Fund balance to complete funding for this project.
- 2. Award contract to Granite Construction Co. for construction in the amount of \$531,531.
- 3. Authorize 5% construction contingency funds totaling \$26,577.

Agenda Item # 12 Prepared By: **Contract Project** Manager Approved By: **Public Works Director Submitted By:**

City Manager

EXECUTIVE SUMMARY:

The City of Morgan Hill has received two grants for this project: a Federal grant to construct the Monterey Road/UPRR Undercrossing & Bikeway Improvements (the main feature of this project is the construction of a new sidewalk and retaining wall on the easterly side of Monterey Road to allow for safe pedestrian access), and a second partial matching grant from the State. Much needed improvements to the City storm drain system have also been incorporated into the project.

The plans and specifications were completed and the project was publicly bid in March, 2003. All of the original bids were far in excess of the estimated costs and were rejected by the Council on June 4, 2003. Analysis of the bids revealed that problems associated with access, traffic control and texturing of the retaining wall contributed to the higher than expected bids.

Some cost-saving changes were made to the design of the wall and the project was again publicly bid in June, 2003. The bid opening was held on July 3, 2003 and the bids received are listed on the attached Exhibit. Staff is very familiar with the low bidder, Granite Construction Co., who has successfully completed a number of similar projects. Staff recommends appropriation of additional funds as outlined below and award to Granite Construction.

Project to start within 30 days and should be completed early next year.

FISCAL IMPACT:

The funds currently available from the two grants for this project total \$320,000. To fully fund the construction, it is recommended that Council appropriate \$175,000 from our unappropriated Traffic Impact Fee Fund balance. Funding of \$78,000 for the storm drain upgrades is available from CIP Project No. 415097.



CITY COUNCIL STAFF REPORT MEETING DATE: July 16, 2003

PUBLIC WORKS MAINTENANCE AGREEMENT FOR SERVICE REPAIR OF SEWER LIFT STATION PUMPS AND STORM STATION PUMPS

RECOMMENDED ACTION(S):

- 1. Approve new maintenance agreement for Service Repair for Sewer Lift Station Pumps and Storm Station Pumps.
- 2. Authorize the City Manger to execute the agreement on behalf of the City.

Agenda Item # 13

Prepared By:

Management Analyst

Approved By:

Department Director

Submitted By:

City Manager

EXECUTIVE SUMMARY: Request for Proposals were issued to award a new agreement for service repair for the sewer lift station pumps and storm station pumps. Peninsula Pumps was the successful bidder. They have served the City as a vendor for several years. They are available on weekends and holidays. The other bid received was from Shape Inc. Their hourly rates were higher and they are not available for weekend or holiday work. The current agreement ended on June 30, 2003. Staff recommends approval of a new two year agreement as follows:

FISCAL IMPACT: Funding exists in the FY 2003/04 budgets as follows:

Account Number	Allocation	Total Cost/Term
640-42231-5900	\$ 15,000	\$30,000/year (2 year agreement)
640-42248-5900	5,000	
202-42231-6100	10,000	
	·	



CITY COUNCIL STAFF REPORT MEETING DATE: July 16, 2003

PUBLIC WORKS MAINTENANCE AGREEMENT FOR REPAIR AND MAINTENANCE OF TELEMETRY SYSTEM

RECOMMENDED ACTION(S): Authorize the City Manager to execute the attached agreement with Telekey SCADA Systems, Inc.

EXECUTIVE SUMMARY: This service agreement is required for our telemetry system maintenance, upgrades, and repairs. Telekey SCADA

System is the sole source vendor for our current system. Our telemetry system is a system of controls, radios and computers that monitors and controls our water, wastewater, and storm drain stations. The system is vital to maintaining our system of wells, reservoirs, booster stations, wastewater lift stations and storm pumps.

FISCAL IMPACT: Funding exists in our FY03-04 budget as follows:

640-42231-5900	\$ 5,000
650-42231-5710	\$15,000
202-42231-6100	\$ 4,000

Agenda Item # 14

Prepared By:

Management Analyst

Approved By:

Department Director

Submitted By:

City Manager



STATION

CITY COUNCIL STAFF REPORT MEETING DATE: July 16, 2003

APPROVE PURCHASE ORDER FOR REPLACEMENT OF TWO SEWAGE SUBMERSIBLE PUMPS AT "C" LIFT

RECOMMENDED ACTION(S):

Approve the purchase of two sewage submersible pumps in the amount of \$20,440.58.

Agenda Item # 15
Prepared By:
Management Analyst
Approved By:
Department Director
Submitted By:

City Manager

EXECUTIVE SUMMARY:

Sewer Lift Station "C" is critical to our sewer system; it services a large portion of Holiday Lakes Estates. The pumps have been rebuilt and repaired several times. The efficiency of the pumps has decreased as a result of the many repairs.

A request for proposal for the purchase of this equipment was held on June 20, 2003. The results are as follows:

> Shape, Inc. \$20,440.58 Peninsula Pump & Equipment \$24,476.76

Staff is confident the low bid submitted by Shape, Inc. is a competitive bid and that it meets specifications. Staff recommends the purchase from Shape, Inc.

FISCAL IMPACT:

The total cost for this project is \$20,440.58. Funding for this purchase was budgeted in FY02-03 in the Sewer Operations Budget. It is requested that the funds budgeted in FY02-03 be carried over into the FY03-04 budget for this purchase.



CITY COUNCIL STAFF REPORT MEETING DATE: July 16, 2003

STATUS REPORT ON TENNANT AND NORDSTROM PERCHLORATE REMOVAL PLANTS

RECOMMENDED ACTION(S): Information only

Agenda Item # 16
Prepared By:
Public Works Director
Submitted By:
City Manager

EXECUTIVE SUMMARY: As City Council authorized, staff and US Filter is moving forward quickly on the assembly of the perchlorate removal plants at both our Tennant and Nordstrom wells. The status of those two plants is as follows:

Tennant Well – Because this City well site is located in such close proximity to the source of contamination, the former Olin and Fusee production facility, we will be doing discrete well tests to evaluate the concentrations of perchlorate at various depths in the well column. Regional Water Quality Control Board (RWQCB) concerns over disposal of the water during testing have caused the project to be delayed to ensure there are no harmful effects caused by the discharge of the water during testing. US Filter has committed to being able to have the treatment facility operational by July11th, however based on the delay caused by RWQCB concerns, we do not expect the plant to be delivering treated water into our water delivery system prior to August 1st. As Council is aware, the Santa Clara Valley Water District (SCVWD) is our partner in this project and has committed to paying the first year lease costs, including operational costs.

Nordstrom Well – The Nordstrom Well perchlorate removal plant remains on target to be operational by July 15th and with approval from Department of Health Services (DOHS) we hope to be delivering treated water into our system by July 16th. Unlike the DOHS branch in Southern California that has permitted several ionic exchange perchlorate removal plants, the Berkeley office of DOHS responsible for the city's water permit has not permitted perchlorate removal plants before and therefore they are being extra cautious to ensure the safety of our drinking water supplies. We have been verbally told by DOHS that they should be in a position to give us approval to operate the plant based upon the most recent information we have submitted to them by the end of this week.

As Council is aware, the Olin Corporation submitted amended reports for both groundwater and soil remediation by the June 30, 2003 deadline of the RWQCB, however the City and many other concerned agencies and individuals have taken the position that Olin is not doing enough nor acting fast enough to both investigate and remediate the contamination emanating from their site. The City position on this report has been conveyed to the RWQCB by our special counsel and is attached for Council information.

FISCAL IMPACT: As Council is aware, we are spending substantial funds because of potential perchlorate contamination and will be seeking full reimbursement from Olin and Fusee.



CITY COUNCIL STAFF REPORT MEETING DATE: JULY 16, 2003

ACCEPTANCE OF MAIN AVENUE WELL DRILLING PROJECT

RECOMMENDED ACTION(S):

- 1. Accept as complete the Main Avenue Well Drilling project in the final amount of \$135,077.
- 2. Direct the City Clerk to file the attached Notice of Completion with the County Recorder's office.

Agenda Item #17	
Prepared By:	
Senior Civil Engin	eer
Approved By:	
Public Works Dire	ctor
Submitted By:	
J	
City Manager	_

EXECUTIVE SUMMARY:

On April 17, 2002, Council awarded a contract in the amount of \$103,879 to Maggiora Brothers Drilling for the construction of the Main Avenue Well Drilling Project.

The original scope of work for this project included replacing our aging Main Well by furnishing all materials, labor, equipment, fuel, tools, transportation and services for the drilling, construction, development, testing and completion of one 12-inch water supply, or production, well with a design capacity of 1,000 gpm. Due to problems encountered during the construction of the City's recently completed new well at San Pedro, Maggiora Brothers Drilling and Luhdorff & Scalmanini Consulting Engineers, who performed the design, agreed on changing the size of the casing from 12-inch to 16-inch. As a result of the change, Maggiora Brothers was awarded a change order in the amount of \$25,908 on November 20, 2002. Due to the need for all water wells to be operational during the spring/summer peak water consumption months and with the additional loss of several wells, this project was delayed. Construction was scheduled to start in December 2002 and completed by May 2003.

The work has been completed in accordance with the plans and specifications.

FISCAL IMPACT:

This project was budgeted in the 2002-03 Capital Improvements Program budget under New Water Well Construction, Project #601093. The final contract price is \$135,077. The allocated project construction cost including 10% contingency was \$142,766.

Record at the request of and when recorded mail to:

CITY OF MORGAN HILL CITY CLERK 17555 Peak Avenue Morgan Hill, CA 95037

RECORD AT NO FEE PURSUANT TO GOVERNMENT CODE SECTION 27383

NOTICE OF COMPLETION CITY OF MORGAN HILL MAIN WELL DRILLING PROJECT

NOTICE IS HEREBY GIVEN, pursuant to Section 3093 of the Civil Code of the State of California, that the Director of Public Works of the City of Morgan Hill, California, on the 16th day of July, 2003, did file with the City Clerk of said City, the contract for performing work which was heretofore awarded to Maggiora Bros. Drilling, Inc., on April 17, 2002, in accordance with the plans and specifications for said work filed with the City Clerk and approved by the City Council of said City.

That said improvements were substantially completed on June 30, 2003, accepted by the City Council on July 16, 2003, and that the name of the surety on the contractor's bond for labor and materials on said project is the Fidelity and Guaranty Insurance Company.

That said improvements consisted of the construction and installation of all items of work provided to be done in said contract, all as more particularly described in the plans and specifications therefore approved by the City Council of said City.

Name and address of Owner:	City of Morgan Hill 17555 Peak Avenue Morgan Hill, California
Dated:,	2003.
	Jim Ashcraft, Director of Public Works
I certify under	penalty of perjury that the foregoing is true and correct.

Irma Torrez, City Clerk City of Morgan Hill, CA Date:

ITEM #:_18____

Submitted for Approval: July 16, 2003

CITY OF MORGAN HILL JOINT SPECIAL CITY COUNCIL AND SPECIAL PLANNING COMMISSION MEETING MINUTES – JUNE 24, 2003

CALL TO ORDER

Mayor Kennedy and Chairman Azevedo called the special meeting to order at 6:00 p.m.

ROLL CALL ATTENDANCE

City Council

Present: Mayor Kennedy, Mayor Pro Tem Chang, Council Members Carr, Sellers, Tate.

Planning Commission

Present: Commissioners Acevedo, Mueller, Engles, Escobar, Lyle, Weston.

DECLARATION OF POSTING OF AGENDA

The meeting's agenda is certified to have been duly noticed and posted in accordance with Government Code 54954.2.

PUBLIC COMMENT

Mayor Kennedy opened the floor to comment for items not appearing on this evening's agenda.

No comments being offered, public comment was closed.

City Council Action and Planning Commission Action

WORKSHOP:

1. JOINT WORKSHOP REGARDING THE MURPHY AVENUE CORRIDOR STUDY

Mayor Kennedy announced the procedures for the meeting: Staff presentation, joint discussion, and hearing from members of the public.

Mayor Kennedy announced the procedures for the meeting: Staff presentation, joint discussion, and hearing from members of the public.

Community Development Director (CDD) Bischoff presented the staff report and introduced Ken Schreiber, Contract Planner, and Sue DeBorde of Fehr & Peers, traffic consultants contracted by the City to conduct the Murphy Avenue Corridor Study, which was the focus of this meeting. CDD Bischoff gave a brief overview of the purpose of the Study: 1) to fulfill the requirements of the General Plan; 2) determine alternative ways to serve the land uses in the Murphy Avenue corridor; 3) identify circulation issues, problems and benefits for roadway alternatives; and 4) provide data that can be used in the environmental assessment of any resulting General Plan changes.

City of Morgan Hill Joint Special City Council and Special Planning Commission Meeting Minutes – June 24, 2003 Page - 2 –

When the General Plan was being considered for adoption in 2001, CDD Bischoff said, neighbors voiced concern about Murphy Avenue being designated an arterial street; however, this had been the case since 1990. The City Council in March, 2003 authorized a feasibility study for evaluating use of the corridor and possible alternatives for routing traffic through the area. The City contracted with traffic consulting firm and the report presented tonight resulted.

CDD Bischoff continued by saying that the information presented at this meeting is not an alignment precise plan, but a series of alternatives to be presented. Once an alternative is selected, CDD Bischoff said, after hearings by both the Planning Commission and the City Council with public input – a precise alignment will be formulated by Fehr & Peers.

Those property owners living within 300-feet of an area which the City proposes to change or those who will be directly affected, such as having land taken, etc. will be mailed notices of public hearings at the Planning Commission and/or City Council. Discussion ensued as to when those public hearings might be held. General consensus of those Planning Commission and City Council members present was that no hearings should take place until September, 2003 at the very earliest.

Councilmember Sellers asked when actual construction of the undeveloped areas would be. CDD Bischoff responded that, even though specific development plans for projects have been submitted to the City, for example, the Ford Store, the Aquatic Center, a miniature golf installation, etc., development as a whole probably would not occur for years, and certainly not in the next 5 - 10 years.

Mayor Kennedy referenced a Traffic Calming Study the City has undertaken. Director of Public Works (DPW) Ashcraft said that study is nearing completion. He reminded that the Traffic Calming Study is not specific to Murphy Avenue. Three areas/neighborhoods of the City have requested the study, DPW Ashcraft said. Mayor Kennedy said his preference would be to have Murphy Avenue evaluated for Traffic Calming emphasis.

Chair Acevedo asked if the plan is for completion of any widening or right-of-way acquisition all at once or in piecemeal fashion. CDD Bischoff responded that work would be done as development occurs.

Ms. DeBorde reminded that the purpose of the study is to fulfill the requirements of the General Plan, and look at alternatives (circulation issues). She gave an overview of the area studies and provided details of the three alternatives presented, including advantages and disadvantages of each. [Materials on file in the Morgan Hill Planning Department]

Commissioners and Council Members discussed the report, raising the following issues:

Jog at Mission View [this would discourage through traffic] Continuation of St. Louise [yes] Need for minimal change to existing General Plan Guglielmo Property Mission Ranch development Kelley Park area City of Morgan Hill Joint Special City Council and Special Planning Commission Meeting Minutes – June 24, 2003 Page - 3 –

Driveways ingressing/egressing Murphy

Proposed lane increases for Murphy/Condit/Hill/Peet streets

Possible street alignments/connections

Economic development goals of the City

Possible reduction of land use

Traffic issues

Effects of Highway 101 – including through traffic and residential/commercial development to the south of the City

(potential) Coyote Valley development

Possibilities for development of a 'Butterfield Boulevard' on the east side of the City

Development of commercial and industrial areas in the City

Fiscal costs of the study [\$92,000]

Santa Teresa Boulevard relative to plans of Gilroy

Intersections [which will require additional study and planning]

Possible/desirable outcomes were then discussed:

Stay with existing general plan traffic section, which is long term but involves some costs; of special concern: intersections

Look at Urban Limit Line study

Consider the City's sphere of influence

Review the potential of industrial development in the City

Connection of multiple streets while discouraging through traffic by using traffic calming

Need for a 'mirror' of Monterey Road on the Eastside as development occurs

Dialogue on formulating a plan for 'triggering' review of the General Plan based on increased development and resultant traffic

Use of the Greenbelt Study in planning for traffic

When implementation of traffic study will actually be needed

Possibility of a business park development in the South of the City

Need for reliable decision-making – something people can count on

Upgrade/construction of an interchange at Middle Ave. for additional traffic access

Noting several members of the public present, Mayor Kennedy opened the public hearing.

Michael Lawson, 1385 James Ct., urged all decision makers to consider the safety issues, particularly where children are concerned, as well as giving thought to the traffic generated by users of the local parks. Mr. Lawson said he uses Butterfield Boulevard daily and would like to see a 'mirror' road on the Eastside. He indicated that there would be logic to having Condit be a four-lane road rather than Murphy, as there are several businesses located on Condit. Mr. Lawson urged all present to look at the 'big picture', noting that across from Kelly Park there is high-density development.

Mary Johnson, 17470 Murphy Ave., requested answers to specific questions/issues which were e-mailed to the Consultant and the Council members. Ms. Johnson referenced the alternatives presented, asking the effects impact if Condit were made into four-lanes instead of Murphy. "How many homes and farms are in the way of having Murphy become four-lanes – and what will the fiscal impacts be?" she asked.

City of Morgan Hill Joint Special City Council and Special Planning Commission Meeting Minutes – June 24, 2003 Page - 4 –

"A major concern," Ms. Johnson continued, "is that Condit is loaded up with businesses; why not keep traffic on Condit – that would help the businesses more." She urged a look at the 'big picture', urging those present to keep the school in mind.

Nick Johnson, 17470 Murphy Ave, questioned the advisability of putting businesses on Condit, but leaving Condit as a two-lane street. Mr. Johnson used a comparison of a business-developed area in Los Gatos, stating that he believes alternatives are possible. "Murphy is all zoned for residential," Mr. Johnson said, "why not keep traffic on Condit where there are businesses?"

Ben Porson, 830 G Middle Ave., referenced the consideration of having Middle Ave. become an intersection providing access to the City. He said the area is now in the County, asking if there were plans for annexation. Mr. Porson also expressed concern that the cloverleaf interchange would be placed where two dwellings are now on his property. CDD Bischoff responded that would be a desirable location for entrance to the City, as it would benefit because of planned business development at Condit and is a <u>long</u>-term goal of the City. However, Middle Ave. is not in the City's sphere of influence and because the City doesn't 'do' interchanges, such action would require the cooperation of many, many agencies.

Aileen Poryson, 19270 Quinn Cr., explained the location of her home, saying that even though her property is not part of the suggested alternatives, she is worried about certain items, namely the impact of traffic to the new high school and how traffic matters could be enforced. Ms. Poryson asked if there were alternative streets planned for students and workers to get to the high school.

Nilou Tarani, 1581 Kelly Park Dr., urged all those making decisions regarding Murphy Ave. to proceed slowly. She said she agreed with the thoughts of the previous speakers regarding making Condit a four-lane road. Ms. Tarani strongly urged that Murphy be kept at two-lanes.

With no others indicating a wish to address the issue, the public hearing was closed.

Council members and Commissioners discussed with staff the issues that had been raised. It was observed that three letters had been received regarding the workshop issues. [Letters on file in the Morgan Hill Planning Department]

CDD Bischoff noted that Council members and Commissioners had made several requests for items to be more clearly identified or included or further studied during this workshop. He asked for direction for modification of the study before having public hearings.

Council members and Commissioners agreed modification of the study would be important in view of the discussions, but expressed concern of fiscal constraints. Need for completion of the Traffic Calming study and the Urban Limit Line Study were noted. It was agreed that CDD Bischoff would review the issues and concerns raised at the workshop, and incorporate those in the materials - along with options possible – after the Urban Limit Line Study Committee had reached agreement regarding the need for an additional industrial park in the Tennant Avenue area (December 2003 – January 2004).

City of Morgan Hill Joint Special City Council and Special Planning Commission Meeting Minutes – June 24, 2003 Page - 5 –

ADJOURNMENT

There being no further business, Mayor Kennedy adjourned the Special City Council meeting at 7:50 p.m.; and Chairman Azevado called a brief recess for the Planning Commission.

MINUTES RECORDED AND P	REPARED BY:
JUDI M. JOHNSON	



REDEVELOPMENT AGENCY STAFF REPORT

MEETING DATE: July 16, 2003

AGREEMENT FOR OUTSIDE LEGAL COUNSEL (RICHARDS, WATSON & GERSHON)

RECOMMENDED ACTIONS: Authorize Executive Director to execute Consultant Agreement for legal services in FY2003-2004 with Richards, Watson & Gershon in the amount of \$65,000.

Agenda Item # 19
Prepared By:
BAHS Analyst
Approved By:
BAHS Director
Submitted By:
Executive Director

EXECUTIVE SUMMARY: Due to the specialized nature of Redevelopment Law and the volume and magnitude of the transactions, the Redevelopment Agency traditionally uses outside counsel for assistance with its legal needs, including negotiation and drafting redevelopment documents.

Redevelopment Agency staff has used the services of Richards, Watson & Gershon since August 1996. The attached Consultant Agreement with Richards, Watson & Gershon is in the amount of \$65,000. This represents a \$10,000 increase from the last fiscal year, which is due to the anticipated level of work needed for projects in FY03-04.

FISCAL IMPACT: The contract amount of \$65,000 has been budgeted for FY2003/04; \$30,000 from account 317 (non-housing), and \$35,000 from account 327 (housing).

AGENDA ITEM #	20	
Submitted for Appro	val: July 16, 2003	

CITY OF MORGAN HILL JOINT SPECIAL AND REGULAR REDEVELOPMENT AND SPECIAL CITY COUNCIL MEETING MINUTES – JUNE 25, 2003

CALL TO ORDER

Chairperson/Mayor Kennedy called the special meeting to order at 6:02 P.M.

ROLL CALL ATTENDANCE

Present: Chairperson/Mayor Kennedy

Agency/Council Members Carr, Chang, Sellers, and Tate.

DECLARATION OF POSTING OF AGENDA

Deputy City Clerk Malone certified that the meeting's agenda was duly noticed and posted in accordance with Government Code 54954 2

Redevelopment Agency and City Council Action

CLOSED SESSIONS:

1

CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION

Significant Exposure/Initiation of Litigation

Authority: Government Code Sections 54956.9(b) & (c)

Number of Potential Cases: 2

2.

CONFERENCE WITH LABOR NEGOTIATOR:

Authority: Government Code Section 54957.6

Agency Negotiators: Ed Tewes, City Manager; Helene L. Leichter, City Attorney; Mary Kaye

Fisher, Human Resources Director

Employee Organization: AFSCME Local 101

Morgan Hill Community Service Officers Association

Morgan Hill Police Officers Association

Unrepresented Employees: Custodian/Building Maintenance Worker

Government Access Technician Maintenance Worker Assistant Utility Worker Assistant

Executive Management Group 1-A

Chief of Police

Director of Business Assistance & Housing Services

Director of Community Development

Director of Finance

Director of Public Works/City Engineer

Human Resources Director

Recreation and Community Services Manager

Assistant to the city Manager

Council Services and Records Manager

Middle Management Group 1-B

Police Captain

Deputy Director of Public Works

Assistant City Attorney

Assistant Director of Finance

Chief Building Official

Human Resources Supervisor

Planning Manager

Senior Civil Engineer

Budget Manager

Business Assistance and Housing Services Manager

Police Support Services Supervisor

Senior Planner

Project Manager

Utility Systems Manager

Recreation Supervisor

Secretary to the City Manager

Confidential Non-Exempt Employees Group 1-C

Administrative Analyst

Secretary to the City Attorney

Accounting Technician

Human Resources Assistant

OPPORTUNITY FOR PUBLIC COMMENT

Chairperson/Mayor Kennedy opened the Closed Session items to public comment.

Bruce Tichinin informed the City Council/Agency Board that he represents a client in a matter that will be discussed under closed session. He indicated he has already spoken with the City Attorney, and saw no reason to do so again.

No further comment were offered.

ADJOURN TO CLOSED SESSION

Chairperson/Mayor adjourned the meeting to Closed Session at 6:04 P.M.

RECONVENE

Chairperson/Mayor reconvened the meeting at 7:03 P.M.

City of Morgan Hill Joint Special & Regular Redevelopment Agency and Special City Council Meeting Minutes – June 25, 2003 Page - 3 -

CLOSED SESSION ANNOUNCEMENT

Mayor Kennedy announced there were no reportable actions taken in closed session.

SILENT INVOCATION

Chairperson/Mayor invited all to join in a silent invocation.

PLEDGE OF ALLEGIANCE

Chairperson/Mayor Kennedy extended an invitation to lead the Pledge of Allegiance to Santa Clara County Fire Department Battalion Chief Darbro.

RECOGNITIONS

Sister Cities Committee introduced Mayor Roselli from San Casciano, Italy, our Sister City.

Mayor Kennedy and City Council Members presented Joyce Maskell with a gift of a clock in recognition for her outstanding work in the completion of the Community Playhouse Project.

CITY COUNCIL SUB-COMMITTEE REPORT

None.

CITY MANAGER REPORT

City Manager Tewes reported the testing regimen for domestic water wells for perchlorate is continuing, and he is pleased to report all city wells have again tested non detect this month.

He also reported that the State has still not adopted a budget. State senate voted on a proposal, but it failed because of lack of enough votes. He has started to see numbers proposed in bills being voted on. The amount of \$1.2 billion is being proposed to be cut from cities; and our share of that amount would be nearly 500K from next fiscal year. He stated that it is important to stay vigilant and watchful and remind the legislature about reductions in local services that would result from such a funding reduction.

CITY ATTORNEY REPORT

City Attorney Leichter made no report.

OTHER REPORTS

None were presented.

City of Morgan Hill Joint Special & Regular Redevelopment Agency and Special City Council Meeting Minutes – June 25, 2003 Page - 4 -

PUBLIC COMMENT

Mayor Kennedy opened the floor to comment on items not on the agenda.

Mr. John Amos, a Volunteer in Fire Prevention (VIP) with California Department of Forestry, working out of the CDF facility on South Monterey Road, invited the Council and the public to visit the facility this weekend. They will be having a Field Day activity to test their amateur radio community's equipment for a twenty-four hour period beginning at 11:00 a.m. on Saturday until 11:00 a.m. on Sunday. This exercise is intended to ensure that all the equipment will operate effectively in the event of a major emergency. He also invited the Council to a small barbeque to be held at 6:00 p.m. on Saturday evening.

Mr. Dan Craig, of the Morgan Hill Downtown Association asked to speak on two items. There will be an Annual meeting and reception tomorrow night at the Community and Cultural Center at 6:00 p.m., and he invited the Council and public to come to the meeting. The second item he addressed is the current residential conversion ordinance as part of downtown plan implementation. He is particularly concerned about the yellow house on Monterey Road where Penny's Pretties was previously located. This recent change of use has triggered some requirements that are onerous for the tenant applying to occupy the building. He stated he is aware that City staff are working on this and wanted to weigh in on it and encourage the Council and staff to explore ways to resolve this issue in a timely manner so that a commercial tenant can be placed in this building.

Mr. Jerry Di Salvo also spoke regarding this yellow house located in the downtown area. He is the owner, and has tried to entice a new tenant, but those that are interested found that the use had never been changed from residential to business, even though there was a business use there for over five years. The cost of converting the building to meeting code requirements for handicapped access would be a hardship on the business. He could keep it residential, but this would not be a good use in this location. His favorite solution would be to have the Council override the use change. Staff cannot do this without the assistance of the Council. He is concerned about the hardship of conversion of the building to meet the code requirements for a business use. Building Inspector Ken de Luna had suggested going for a historical status, which would allow less onerous handicap requirements, but he would have to find an applicant that would allow for this type of designation. This would also restrict him in the future from expanding his building. He requested that the B use be allowed to continue.

Santa Clara County Fire Battalion Chief Darbro addressed this issue based on the current fire codes. He stated that staffing of fire department is at a minimum, and to dilute the fire codes currently on the books would cause the residential safety level to drop. Putting a business in that building would increase the level of fire hazard. He encouraged the Council to enforce the current code to maintain public safety for the benefit of public.

Council Member Tate commented that the Economic Development Subcommittee is already meeting on this issue and he wanted to let the speakers know that this is under consideration. They will report back to the Council when they have completed their study of the issue.

City of Morgan Hill Joint Special & Regular Redevelopment Agency and Special City Council Meeting Minutes – June 25, 2003 Page - 5 -

Redevelopment Agency Action

Action: On a motion by Agency Member Tate, and seconded by Agency Member Sellers, the Agency Board unanimously (5-0) Approved Consent Calendar Item 1, as follows:

1. MORGAN HILL DOWNTOWN ASSOCIATION (MHDA) AGREEMENT

<u>Action:</u> <u>Authorized</u> the Executive Director to Negotiate and Execute an Agreement with the Morgan Hill Downtown Association (MHDA) in an Amount Not to Exceed \$80,000, Subject to Agency General Counsel Approval.

City Council Action

CONSENT CALENDAR:

Council Member Sellers requested that Item 5 be pulled for comment.

Council Member Tate requested that Items 13 and 15 be pulled for a separate vote.

Council member Carr requested that Item 14 be pulled for comment.

<u>Action:</u> On a motion by Council Member and seconded by Council Member, the City Council unanimously (5-0) <u>Approved</u> Consent Calendar Item 2 -4 and 6-12, as follows:

2. MAY 2003 FINANCE AND INVESTMENT REPORT

Action: Accepted and Filed Report.

3. <u>AWARD CONTRACT TO PROVIDE PUBLIC WORKS PLAN CHECKING SERVICES</u> <u>ON AN AS-NEEDED BASIS</u>

<u>Action:</u> 1) <u>Approved</u> a Professional Contract with Harris and Associates, Inc. to Provide Land Development Plan Checking Services on an As-Needed Basis at a Cost Not-to-Exceed of \$100,000 for Fiscal Year 2003-2004; and 2) <u>Authorized</u> the City Manager to Execute the Contract, Subject to Review and Approval by the City Attorney.

4. <u>AWARD OF CONTRACT TO PROVIDE PUBLIC WORKS INSPECTIONS ON AN AS-</u> <u>NEEDED BASIS</u>

<u>Action:</u> 1) <u>Approved</u> a Professional Services Contract with Testing Engineers, Inc. (TEI) to Provide Public Works Inspection Services on an As-Needed Basis at a Cost Not to Exceed \$127,000 for Fiscal Year 2003-2004; and 2) <u>Authorized</u> the City Manager to Execute the Contract, Subject to Review and Approval from the City Attorney.

5. COMMUNITY INDOOR RECREATION CENTER APPROVAL OF SUBCOMMITTEE

City of Morgan Hill Joint Special & Regular Redevelopment Agency and Special City Council Meeting Minutes – June 25, 2003 Page - 6 -

APPOINTMENTS

Council Member Sellers commented that there has been concern that there is not a broad committee involvement on the IRC. He stated that the Council has made the decision to have one committee involved in the IRC, but this one committee will include representatives from other committees. He stated that everyone involved will need to be prepared to work, because they will be the only committee and there will be much to do over the next few months.

Action: On a motion by Council Member Tate, and seconded by Council Member Sellers, the City Council unanimously (5-0) Approved Subcommittee Appointments.

6. APPROVE LEASE FOR WOODLAND ESTATES

<u>Action</u>: 1) <u>Approved</u> Lease Agreement; and 2) <u>Authorized</u> the City Manager to Execute the Lease of City-owned Open Space Adjacent to Llagas Creek with Woodland Estates for the Fee of \$1.00 Per Year.

- 7. <u>AWARD OF CONTRACT FOR 2002-2003 PAVEMENT RESURFACING PROJECT Action</u>: 1.) <u>Awarded</u> Contract to O'Grady Paving, Inc. in the Amount of \$788,982 for Construction of the 2002-2003 Street Resurfacing and Reconstruction Project; and 2) <u>Authorized</u> a \$78,898 (10%) Construction Contingency.
- 8. <u>COUNTYWIDE HOUSEHOLD HAZARDOUS WASTE AGREEMENT</u>
 <u>Action: Directed</u> Staff to Execute the Agreement with the County.

9. <u>PUBLIC WORKS MAINTENANCE AGREEMENTS FOR FISCAL YEAR 2003-2004</u> <u>Action:</u> Contingent upon Approval of the Fiscal Year 2003-2004 Budget:

- 1. <u>Approved</u> New Maintenance Agreements for
 - a) Emergency Pump Maintenance and Repair for Booster Stations
 - b) Generator Maintenance Services; and
 - c) Emergency Repairs, Maintenance, and Parts for Well Sites;
- 2. <u>Approved</u> One Year Extensions to Agreements for
 - a) Laboratory Services for Potable Water Sampling and Analysis
 - b) Landscape Maintenance Services; and
 - c) Annual Tree Pruning and Removal;
- 3. <u>Authorized</u> the City Manager to Execute the Agreements/Extensions on Behalf of the City, Subject to Review and Approval of City Attorney.

10. <u>APPROVAL OF PROFESSIONAL SERVICES CONTRACT FOR SEWER TRUNK SURVEYING</u>

<u>Action:</u> <u>Authorized</u> the City Manager to Execute a Contract in the Amount of \$38,000 with Bagoye & King Surveying for a Preliminary Survey of the Proposed Sewer Trunk Alignment, Subject to Review and Approval by the City Attorney.

11. <u>APPROVAL OF CONTRACT/FUNDING FOR CONTRACT TEM</u>PORARY

City of Morgan Hill Joint Special & Regular Redevelopment Agency and Special City Council Meeting Minutes – June 25, 2003 Page - 7 -

ENGINEERING SERVICES

<u>Action:</u> <u>Approved</u> the Contract and Funding for Two Temporary Full-time, and One Part-time Contract Engineers.

12. <u>ACCEPTANCE OF STATE HIGHWAY 101 AT TENNANT AVENUE NORTHBOUND</u> RAMPS SIGNAL PROJECT

<u>Action</u>: 1) <u>Accepted</u> as Complete the State Highway 101 at Tennant Avenue Northbound Ramps Project in the Final Amount of \$206,152; and 2) <u>Directed</u> the City Clerk to File the Notice of Completion with the County Recorder's Office.

13. APPROVED SPECIAL CITY COUNCIL MEETING MINUTES OF JUNE 12, 2003

Mayor Kennedy requested the following correction to these minutes: to change the time the meeting was called to order from 9:30 p.m. to 9:30 a.m.

Council Member Sellers requested the correction of the final sentence of the final paragraph from "Council Member Carr continued" to "Council Member Sellers continued".

Action:

On a motion by Council Member Sellers, and seconded by Council Member Chang, the City Council voted 3-0-2, with Carr and Tate abstaining, to <u>Approve</u> the Minutes of June 12, 2003, as amended.

Redevelopment Agency and City Council Action

CONSENT CALENDAR:

14. MORGAN HILL COURTHOUSE ENVIRONMENTAL IMPACT REPORT

Council Member Carr asked a representative of Santa Clara County who was present if the article he had read in the Mercury News stating that the County was restructuring its courts would have an impact on the future Morgan Hill Courthouse; in particular, the programming that would go on in the courthouse.

Council Member Sellers also asked for information on the any structural changes and usage changes that are planned, such as the number of judges and facility usage.

The County representative responded that he could not provide an answer, but that he would take the questions back to the County and respond to the Council's questions.

City Manager noted that the Council has been provided with a revised version of Resolution No. 5687, which has a change on page 4, paragraph H, dealing with impact fees. The County did not respond to the comment on these fees, and he is aware that the County Counsel is conducting an evaluation of whether or not the County might be exempt from impact fees. In certifying the

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EIR the City wants to make clear in the new Section H the City is reserving the right to charge impact fees, if applicable.

Action:

On a motion by Agency/Council Member Sellers, and seconded by Agency/Council Member Chang, the Agency Board /Council unanimously (5-0) <u>Adopted</u> the revised version of Resolution No. 5687, Considering the Environmental Impact Report, Making Required CEQA Findings, and Adopting a Mitigation Monitoring and Reporting Program for the Morgan Hill Courthouse Project.

15. <u>APPROVED JOINT SPECIAL CITY COUNCIL AND SPECIAL REDEVELOPMENT AGENCY MEETING MINUTES OF JUNE 11, 2003</u>

Action:

On a motion by Agency/Council Member Sellers, and seconded by Agency/Council Member Chang, the Agency Board /Council unanimously (4-0-1, with Tate abstaining)

<u>Approved</u> Consent Calendar Item 15.

City Council Action

OTHER BUSINESS:

16. <u>DISCUSSION OF PHASING FOR COMMERCIAL PLANNED UNIT DEVELOPMENT</u> (PUD) (Continued from June 18, 2003)

Director of Community Development Bischoff presented the staff report.

City staff has not been able to reach an agreement with the developers on how to develop the property within the current constraints of the general plan. There is no action before the Council this evening in regard to this specific project. Council is only being asked to make a decision on a policy matter at this time to provide direction to staff on how to implement the policy language as to what constitutes a "larger development" under Land Use Policy 10C of the General Plan, Action 10.5.

Mayor Kennedy opened the public comment.

Mr. John Telfer addressed the Council and stated that he had asked for PUD approval in advance of development of the property so he knows what can be done on a site and what the City wants to see on the property when he goes out to market these groups of properties. Stated that the owner of the middle section of 4.5 acres has always had plans to develop his property with a service station and now has Wienerschnitzel interested in possibly adding on to that in the back. He stated that Dr. Biedermann, who owns the approximately 14 acre parcel, is proposing a 10,000 square foot medical office building.

He plans to go through the PUD process, but would like to develop these two parcels as a first phase of the PUD development. If they are not going to be able to do that, then he will not start the PUD process. He needs some direction from the Council on whether this phased development will be possible. He

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asked the Council to look at their policies on this issue. He asked them to define what the term "repetitive uses" means, because there does not seem to be this problem on Tennant Avenue or in this quadrant of the city.

The other issue he requested them to consider is the need for this to be part of a larger development. He feels that there should be a master plan in place for this entire 29 acre parcel, and this is what he is trying to accomplish. The question is more about whether it can be done in phases as they are requesting. He feels that it would help the potential for the development of the balance of this property to allow the phased development of these two projects. The most important reason that Dr. Biedermann does not want to go forward without the service station, is that there is a substantial amount of the infrastructure that the service station developer has agreed to install, which will be of great benefit to Dr. Biedermann's property. He also believes that this benefits the future development of the PUD and will help attract additional uses.

Mr. Telfer requested that the Council provide some direction on the phasing issue, so he can know whether he should go forward with the PUD process.

Mr. Bruce Haller spoke as the representative from Wienerschnitzel, and as a resident of Morgan Hill. He stated that he understands the development issues of Morgan Hill, since he lives here. His company knew they did not want to be on Dunne Avenue or Cochrane, and they decided that Tennant Avenue would be a good location, and felt that it would also help to alleviate some of the traffic on Dunne Avenue. He stated that when they started working on the project 4 years ago there was no gas station in the area either. He feels that these uses are suited to Tennant Avenue. When they started the PUD process with their project they felt the process was vague. He sees other PUD developments around town that are not fully developed. He would love to be in town, but needs the traffic from the freeway to make the business a success. He is hoping for an explanation from the Council on what they are going to be able to do, and feels that Wienerschnitzel would be an asset to the community.

No further comments being offered, the public comment was closed.

Council Member Sellers stated that we have talked about this issue in the past. The difference this time is that the Council just went through a discussion of PUD developments and what is appropriate. He keeps getting stuck on the definition of a larger development and feels that it needs to be more definitive than it currently is. If, as we have indicated through staff, it makes sense to put in the medical services building by itself, than it must be that it constitutes a larger development; and if that is the case, then we should allow the other uses at the same time. The other issue that bears discussion is whether there is a need for this service or product. He stated that medical services are a significant need, that there is an effort underway to attract medical services to the community, and this is an opportunity to attract medical services. Because this could easily be termed a larger commercial use, and this medical use is one we desire, he feels it would make sense to proceed on this. Developing that initial use will help with the development of the PUD, and he thinks the development of the infrastructure and the initial commercial use will facilitate the development of the remainder of the PUD, so he feels the Council should support this.

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Mayor Kennedy concurred, and agreed with the benefit of shifting traffic from Dunne to Tennant. He asked the City Manager if this is a possible location for an auto dealership.

City Manager Tewes responded yes, but the challenge would be that it would be within the 10 mile radius of the dealerships in Gilroy, which would limit the dealerships that could locate at this site. He also noted that the Council will discuss this issue at their workshop on auto dealerships to be held next week.

Council Member Tate stated that each time this issue is raised, he has the same concern that there are only a limited number of corners near the freeway; and because they are rare and precious commodities, the Council placed the PUD requirement on them. The question is, do we want to put ancillary uses on these properties and then make a larger tenant have to fit to the ancillary uses, or do we want to get the major tenant in first and have the ancillary uses fit to them. He is not sure the 10,000 square foot medical building is the best major use of this piece of property. He does not want a major use that comes later to have to fit itself to these smaller uses.

Council Member Carr stated that he agrees, and feels that this would be a good goal if the economy was booming and a lot of people were knocking on the door to develop. But the reality is that we are not in a booming economy, and how long are we willing to hold out for an anchor tenant to help with the infrastructure. If we are going to develop, he feels that we need to lay the ground work now.

Council Member Sellers stated that he concurs, but comes to it in a different way. He asked if Council Member Tate's concern was that the piecemeal approach would preclude a major tenant being interested later on.

Council Member Tate responded yes.

Council Member Sellers stated that since this is a 14 acre parcel, he feels that the Council could proceed, with the eventual goal of having a major tenant.

Council Member Chang returned to the question of whether this piece of land could be one that would come under consideration for an auto dealership at the workshop next week, and Mayor Kennedy responded that this would be something for discussion at that time. She stated she was concerned that if it is a possible candidate for dealership use, this decision should wait until after the workshop to discuss this issue because if you plan for an auto dealership it might be laid out differently.

Council Member Sellers recalled from a previous discussion that these uses would not preclude any option, because these two uses will be set up so that a larger use could built around them; and no matter how it was laid out these types of uses would be what would ultimately be placed in this PUD anyway.

Council Member Tate stated that if he believed that assumption, he would support it, but he does not believe that assumption.

Mayor Kennedy stated that he understands and shares concerns raised about jeopardizing a future use

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that would be better and more appropriate for this PUD. But we have waited a long time and he now feels more like Council Member Carr that perhaps we need to do something to get this moving forward.

Council Member Chang asked if we do this tonight would that preclude putting a dealership there.

Director of Community Development Bischoff responded that no, it would not preclude an auto dealership being placed here. If the Council gave the green light tonight, the infrastructure that would be installed would leave the site open to future development.

Mr. Telfer added the comment that he feels that the Council would have the opportunity to discuss this when the PUD actually comes before them for approval. At that time they would be able to see the locations of infrastructure and construction

Mr. Bischoff stated that the PUD still has not been adopted, and the Council will have the final approval of what is submitted, and the opportunity at that time to make sure the options for larger tenants is protected.

Council Member Sellers moved that the interpretation of Action 10.5 be modified to allow for the type of uses detailed, with the understanding that the projects still will have to go through the entire PUD process.

Council Member Carr seconded the motion, but asked to hear the comments of the City Manager.

City Manager Tewes stated he was offering help with the wording of the motion. He stated he wanted to make sure that the Council understood that they were not amending anything with their motion, but were only adopting a policy for staff and applicants regarding what constitutes the larger development required by the General Plan. It appears that the larger development proposed this evening, such as the 10,000 square foot medical office building, would be appropriate for that first phase; and the Council has indicated, in accordance with what is already the process, that they would be reviewing the PUD for its impact on future development opportunities.

Council Member Carr felt that this reinterpretation of what constitutes a "larger development" would be a trial basis. He recommended that the Council review the reinterpretation after it has been applied to determine if it in fact made sense, was the right way to proceed, and that the Council did not make a mistake on what it wanted to do after its application.

Council Member Tate did not believe that this reinterpretation cannot be a trial as it is a Council commitment that it is heading in this direction as there are no parcels left to correct the decision if the Council was wrong its application.

Council Member Carr stated that one of the items that strikes him about the general plan, at time of interviewing planning commissioners, every applicant talked about the general plan as being a living document. He wanted to protect the general plan and abide by it. He did not believe that everything contained within the General Plan is not set in tone.

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Council Member Tate did not disagree that the Council could not change it. He disagreed that the Council has a chance to correct the situation as there are no parcels left to correct the situation.

Council Member Sellers felt that this PUD can be corrected when the Council reviews the precise development plan. He said that it would be conceivable that the Council may state that development was wrong.

Action:

On a motion by Council Member Sellers, and seconded by Council Member Carr, the City Council, on a 3-2 vote with Mayor Pro Tempore Chang and Council Member Tate voting no, <u>Directed</u> Staff to apply a reinterpretation of what constitutes a "larger development" as required by the General Plan for the first phase of development; subject to review and approval of Council through the PUD approval process for any impact on future development.

17. <u>APPROVAL OF TRUNK SEWER FUNDING IN GILROY AT NEW TARGET</u> DEVELOPMENT

Director of Public Works Ashcraft presented the staff report, indicating that the City of Gilroy is requesting the City of Morgan Hill fund one half of the cost (\$400,000) to install 2,000 lineal feet of trunk sewer underneath the Target development. He indicated that he was apprised on Monday that the price tag has gone up slightly due to engineering, surveying and a 4% contingency. Therefore, Gilroy's request has been increased for the City's share of \$420,000 to cover these additional expenses. If the finding of Gilroy's consultant is correct, the Cities of Morgan Hill and Gilroy will have a lot more trunk sewer to build in the future, 5-10 years out. He said that the 2,000 lineal feet is an immediate problem because if it is not built soon under the Target development, it could cost twice as much to build the sewer trunk in the future if improvements are torn up. He indicated that staff recommends that the City support the City of Gilroy's request and appropriate \$420,000 from the unappropriated sewer impact fund balance to fund this project. Staff will return with a recommendation to hire a consultant to spend more time looking at the specifics of this trunk sewer and the capacity of the two cities, including the need and timing of the replacement trunk sewer.

Mayor Kennedy inquired whether the sewer split was at 42%/58% (Morgan Hill/Gilroy).

Mr. Ashcraft responded that the City owns 41.9% sewer capacity in the plant and that Gilroy owns the remainder. The 50/50 split refers to sewer trunk capacity in a certain reach of the trunk sewer. He indicated that there are a series of trunk sewers that transport the sewage to the wastewater treatment plant. He indicated that this trunk has been found to be undersized as it was built in the late 1960s and that it may have been the second trunk sewer built to serve the joint cities. He stated that this trunk line was built prior to the establishment of SCRWA. He indicated that this is not a SCRWA issue as it never budgeted for trunk sewer or maintenance. He said that the SCRWA agreement was the fourth or fifth agreement entered into between the Cities. However, in terms of trunk sewer, there are only 2 or 3 agreements in place. There are other agreements that have to do with capacity that have been entered into over the past several years.

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Mayor Kennedy noted that this is a new parallel trunk and inquired why a new agreement would not be executed and based on a 42%/58% split as this would be a split in the flow.

Mr. Ashcraft reiterated that the 42%/58% split has to do with plant capacity and the ratio of the current flow and has nothing to do with the sewer lines. He indicated that the size and the capacity varies as you get closer to the sewer plant and that the City of Morgan Hill's capacity varies. This capacity varies as there is a set capacity as you leave Morgan Hill. However, as the pipe size gets bigger and the capacity gets larger to accommodate San Martin and Gilroy's growth, Morgan Hill's percentage goes down.

Mayor Kennedy stated that he was not comfortable moving forward with this request based on an old agreement that may no longer be valid.

City Manager Tewes indicated that an analogy would be that it is the City's investment in the expansion of the plant itself. The City of Morgan Hill will be responsible for investing to achieve a certain specified amount of capacity. The flow number (42%) is how much the City uses in terms the capacity, on a daily basis. He said that demand charges are based on flow rates, and to find the capacity in the plant or buying capacity in the trunk sewer will be a function of the amount of capacity the City will be buying, and not the percentage of capacity.

Mr. Ashcraft indicated that the percentages of the various trunk lines equate to a total of 100%. He said that the Carollo Sewer Master Plan shows the City's built out wastewater capacity on an average daily flow basis of approximately 5.1 mgd. At build out, based on the current General Plan, it will flow at 5.1 mgd. He said that the system has to be designed for the peak flow and that for the peak flow, the City needs 7.5 mgd sewer trunk capacity from the far edges of Morgan Hill all the way down to the plant. The City's master plan states that this is the City's peak flow and that the pipeline must be capable of handling this flow. Gilroy is stating that the City does not have 7.5 mgd. There is insufficient capacity because the old trunk sewer constructed in the 1960s was laid out too flat. Therefore, there is less capacity.

Mayor Kennedy inquired if there is time to receive additional technical backup information on this issue.

Mr. Ashcraft indicated that there is a lot more detail but that the issue before the Council this evening is rather small in relationship to the bigger problem. The bigger problem could result in a cost of approximately \$5 million. He felt that the City would need more time to study this issue. He said that it is not an easy thing for staff to accept this late breaking news from the City of Gilroy and approve the City's fair share. Should the City delay the sewer trunk line at this time, and the City finds that it needs the additional capacity and parallel the trunk line, there is a potential that it would cost the City twice as much to build the sewer line after development is built in tearing up all of the improvements.

Council Member Sellers stated that there is not an argument of what the City should do but that there is argument about what is the City's fair share.

Council Member Tate felt that there is also an argument on the timing. He could not see why the City of

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Gilroy would not front the entire \$850,000 because of their development. He wondered why the City of Gilroy could not wait and collect the a fair share of the money after the City starts developing/spending money. He did not understand why the City of Morgan Hill should pay at this point in time when it does not benefit the City. He did not know why the City of Morgan Hill should front the City of Gilroy the money.

City Manager Tewes indicated that timing is crucial to the construction of this trunk reach out of the five miles during the construction period. He noted that it is staff's recommendation that the Council not approve the attached cost sharing agreement as drafted by the City of Gilroy as staff believes that there are problems with this agreement. In any event, a new agreement will need to be drafted. He suggested that staff be allowed to return to the Council with additional data and identify precisely how much capacity the City thought it had and how much is needed. He said that it would be helpful, from Gilroy's perspective, although not a contractual commitment, if the Council could indicate its willingness to pay the City's fair share of the capacity in the new line. This will give the City of Gilroy a sufficient comfort level to move forward. He reiterated that the City of Morgan Hill needs capacity in this pipe whether it is built now or built later. He indicated that it would be more efficiently built at this time. He said that the City of Gilroy could state that it does not need the advance at all and that it could size the pipe for Gilrov's need and allow Morgan Hill to worry about its capacity at a later date. He noted that the City has had a cooperative relationship. He said that the end result is what the City of Morgan Hill's fair share is. He felt that the Council has raised important questions which need to be addressed and be responded to. However, he was not sure whether the City of Gilroy would be in a position to state that it would advance the City of Morgan Hill's fair share to be worked out at a later date.

Council Member Tate stated that the only reason that the trunk line is being installed at this time is for the City of Gilroy to proceed with a development. He did not believe that the City of Morgan Hill has a choice.

Mr. Ashcraft indicated that the building permits have been issued and that the Target building is under construction.

Mayor Pro Tempore Chang indicated that the City has the choice of not paying its fair share at this time.

Council Member Sellers felt that not paying the City's fair share at this time would not be a wise thing to do in the long run.

Mayor Pro Tempore Chang inquired whether this Target facility would be replacing Morgan Hill's Target.

Mr. Toy indicated that Target is looking at plans to expand the store in Morgan Hill. It is his understanding that the Gilroy Target store would not impact the Target store in Morgan Hill.

Mayor Kennedy stated that he supported paying the City's fair share. He did not support including a maximum expenditure limit at this point. He would support everything else that staff is requesting. He

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recommended that instead of stating \$420,000, it be indicated that the City will pay its fair share. He would authorize staff to negotiate the City's fair share. If the City is unsuccessful in receiving its fair share, it was his assumption that the City of Gilroy would proceed with construction.

Mr. Ashcraft informed the Council that it has been suggested to him that one potential affect would be that if the City of Morgan Hill did not approve funding and the City of Gilroy was left to go alone with only the \$400,000 that has been appropriated, they could build half of the pipe closest to the building, foregoing the piping in the parking lot. If built 5-10 years from now, the trunk line would be at a much greater cost as you would need to remove parking and landscaping to install the line. He informed the Council that the City of Gilroy brought this issue to City staff two weeks ago. He said that the City of Gilroy was in the midst of their sewer master plan study at the same time that Target was under development. It was found that the pipe was laid at too flat of a slope so that it had less capacity. The pipe was built to the size it was designed, but was laid in some areas to almost half the grade. Therefore, it has half of the capacity in some places. Had Gilroy started the review of their sewer master plan two months later, the City of Morgan Hill would have found this out at a later date and Target would have been built; too late to do anything. He indicated that the City's current consultant conducted a field survey to verify the capacity. This is when it was found that the grade was laid too flat.

Council Member Sellers stated that both cities have the responsibility because a joint agreement exists.

Mayor Kennedy inquired whether the City of Gilroy was planning to replace the sewer trunk anyway because the study showed it needed more capacity.

Mr. Ashcraft responded that the City of Gilroy's sewer master plan from 10 years ago stated that the existing line located under the Target facility was sufficient for the build out needs for both cities. Now, the City of Morgan Hill has a new sewer master plan and a new General Plan. The City of Gilroy also has a new General Plan and has hired a consultant to work on a sewer master plan. As the consultant was looking at the master plan, he may have found that this sewer line may not have sufficient capacity even if it was laid to the right grade. The consultant found that it had about half of the capacity as it was laid in places to half the slope.

Council Member Sellers stated that given all of this information it seems that the City should proceed with the maximum expenditure, making it clear to staff that the City's fair share is a huge issue that has to be addressed. He felt that the City was lucky to happen to find this information at this time. He felt that this would be a wise expenditure, one that the Council is not comfortable with.

Council Member Carr did not know why the City would want to negotiate its capacity down. He noted that the discussion is not about use but about capacity. He stated that the City of Morgan Hill wants to have 50% of the capacity. He said that in the future, the City of Morgan Hill's capacity may be greater than the current use and that the City of Gilroy would be in the driver's seat to charge the City different rates for a different amount for trunk sewer line. Therefore, he did not know why the City of Morgan Hill would be interested in lowering the capacity of the agreement that is currently in place. While the City of Morgan Hill may not like the timing of this issue and some of the questions raised, he felt that this is one of the advantages of not having the sewer treatment plant in Morgan Hill.

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Council Member Tate stated his appreciation of staff's explanation as it makes it clearer as to the circumstances leading up to this issue.

Mayor Pro Tempore Chang inquired how the City's trunk capacity ever exceeds the City's designated sewer plant's capacity of 42%.

Mr. Ashcraft responded the sewer trunk line exceeds the 42% capacity because part of the trunk is in the City of Morgan Hill. Therefore, there are trunks in Morgan Hill that the City owns that are at 100% capacity. As you get closer to the sewer plant, the City owns different trunk percentages.

Action:

On a motion by Council Member Sellers, and seconded by Council Member Carr, the City Council unanimously (5-0) <u>Authorized</u> a Maximum Expenditure of \$420,000 from the Unappropriated Sewer Impact Fee Fund Balance for this Co-op Project with the City of Gilroy and <u>Approved</u> the Concept of a Cost Sharing Agreement and <u>Authorized</u> the City Manager to Execute, with Particular Attention to the Issue of Fair Share of Costs, Subject to Review and Approval by City Attorney.

Redevelopment Agency and City Council Action

OTHER BUSINESS:

18. <u>UTILITY UNDERGROUNDING FOR THE ISAACSON GRANARY</u> (Continued from June 18, 2003)

Director of Business Assistance and Housing Toy presented the staff report, recommending that this issue be referred to the Council Economic Development Subcommittee for further consideration.

Mayor Kennedy opened the public comment.

No comments being offered, public comment was closed.

Council Member Sellers expressed his concern about exempting specific areas from undergrounding. He feels that there needs to be a longer term approach and some opportunities for relief. He does not want to exempt a few projects now and end up in the future with no resources to proceed with the undergounding.

Action:

On a motion by Agency/Council Member Chang, and seconded by Agency/Council Member Sellers, the Agency Board /Council unanimously (5-0) <u>Directed</u> Staff to Work with the Council Economic Development Subcommittee to Develop a Program to Assist Developments with Either the Payment of Utility Undergrounding In-Lieu Fees and/or the Installation of the Utility Undergrounding.

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RECONVENE TO CLOSED SESSION

Chairperson/Mayor Kennedy adjourned the meeting to Closed Session at 8:54 p.m.

RECONVENE

Chairperson/Mayor Kennedy reconvened the meeting at 10:13 p.m.

CLOSED SESSION ANNOUNCEMENT

There were no reportable actions.

FUTURE COUNCIL-INITIATED AGENDA ITEMS

No items were identified.

ADJOURNMENT

There being no further business, Chairperson/Mayor Kennedy adjourned the meeting at 10:15 p.m.

MINUTES RECORDED AND PREPARED BY:	
MOIRA MALONE, DEPUTY CITY CLERK	
IRMA TORREZ, City Clerk/Agency Secretary	

Submitted for Approval: July 16, 2003

CITY OF MORGAN HILL JOINT SPECIAL AND REGULAR CITY COUNCIL AND SPECIAL REDEVELOPMENT AGENCY MEETING MINUTES – JULY 2, 2003

CALL TO ORDER

Mayor/Chairperson Kennedy called the special meeting to order at 5:02 p.m.

ROLL CALL ATTENDANCE

Present: Council/Agency Members Carr, Sellers, Tate, Mayor/Agency Chairperson Kennedy

Late: Mayor Pro Tempore/Vice-chair Chang (arrived at 5:35 p.m.)

DECLARATION OF POSTING OF AGENDA

City Clerk/Agency Secretary Torrez certified that the meeting's agenda was duly noticed and posted in accordance with Government Code 54954.2.

City Council Action

WORKSHOP:

1. <u>AUTO DEALER STRATEGY WORKSHOP</u>

Director of Business Assistance and Housing Services Toy presented the staff report.

Council Member Sellers said that prior to his being elected to Council office; the Planned Unit Development (PUD) zoning ordinance was specific to restrict other auto dealerships in the area where the Chevrolet dealership is located.

Council Member Tate recommended that a survey of area residents be conducted to ascertain comments relating to the Chevrolet auto dealership.

Council Member Sellers concurred that a survey should be conducted.

Mayor Kennedy inquired as to the process to amend the PUD. He expressed concern with the City agreement with the Chevrolet residential neighborhood that this would be the only auto dealership in the area. He expressed concern that discussing the opening of Walnut Grove Drive would be similar to the situation experienced with the Murphy Avenue residents, opening the door to similar fears and concerns.

Council Member Carr felt that there was a difference with the Walnut Grove location as it was his belief that the Walnut Grove circulation could be improved with development. He felt that the neighborhood

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would see the realignment of Walnut Grove as a positive aspect as opposed to the concerns raised by the Murphy Avenue residents.

Council Member Tate felt that it would be helpful to have a layout of the proposed Walnut Grove Drive alignment.

Council Member Sellers said that he would like to determine if there is an area that would support an auto dealership(s). He felt that this information needs to be known before moving forward. He inquired how the PUD update would be developed.

Mr. Toy said that the Walnut Grove PUD is based on a road alignment. The Walnut Grove PUD would necessitate a General Plan Amendment, rezoning amendment and the development of PUD guidelines, should the Council support proceeding with a Walnut Grove PUD amendment. He said that in talking with the Economic Development Committee (EDC), it is not being recommended that the City wait for the public hearing to address rezoning of the property. The EDC recommends engaging the community by means of community meetings. He said that there would be benefits to Walnut Grove area residents with the realignment of Walnut Grove.

Council Member Sellers felt that it would be worth exploring a Walnut Grove PUD development, invited/including the area residents in discussions to help with the development of the area.

Council Member Carr agreed that community meetings need to take place before bringing the Walnut Grove PUD before the Council for public hearing(s).

Council Member Tate noted that the Council would not have answers until plans are reviewed.

Mayor Kennedy stated that he has always favored the Cochrane Road area for an auto dealership due to neighborhood concerns in other areas of the City, especially with existing traffic along Dunne Avenue. His personnel preference would be to site auto dealerships at Cochrane Road and Tennant Avenue. He said that he would be open to alternative locations, but not as primary locations.

Council Member Sellers said that the Council learned that auto dealerships are the least impactful uses compared to other commercial uses. He recommended that low intensity uses be considered as part of a study. He noted that the Council has been consistent in its desire to bring in a few auto dealerships into the community and not develop an auto mall district. He felt that this fact needs to be reemphasized. Also, of concern to the Council is the quality of the auto dealership to be considered.

Council Member Tate said that screening auto dealerships would be important.

Mayor Kennedy noted that the current auto dealership strategy prioritizes locations. He stated that he would prefer not to prioritize locations. If the Council is to prioritize locations, he recommended that locations other than Dunne Avenue be identified. He suggested that the Council discuss which area(s) would work best.

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Council Member Tate stated that it was his belief that proximity is important to auto dealers.

Council Member Carr felt that the Dunne Avenue location was decided upon when the Dan Gamel RV located on Condit/Dunne. He felt that the Council has narrowed the location for auto dealership(s) to the Walnut Grove area or the area behind the former K-Mart site. He recommended that the Council gage neighborhood support of an auto dealership. He felt that the size of the area was important and that it was as important for the City to indicate that it was not supporting large acre dealerships. He said that the Council needs to know the minimum acreage needed by auto dealers. He would agree to prioritize locations but felt that the City has identified the auto dealership areas.

Frank DeRose, representing the DeRose family, stated that the DeRose family is the owner of the largest parcel on Walnut Grove. He pointed out that the prioritization was the result of a consultant hired by the City. The Consultant identified area A as being the most desirable area for an auto dealership(s). He felt that the Council would be disregarding the consultant's input/recommendation if it proceeds with other areas. He said that he has had a lot of interest expressed with site number 4 of the Walnut Grove PUD. He indicated that the Roger Starbach's real estate company is interested in talking to the family about the site. A real estate investment trust has also expressed interest on the site. Therefore, there is substantial interest on this site. He indicated that auto dealerships will locate where they want to locate. He stated that the DeRose family is supportive of having this project move forward as there is an agreement with various property owners. However, he could not speak for Sean Simonson or the Kawashimas.

Sean Simonsen said that the Chevrolet dealership consists of 4.1 acres and that it is barely enough area for the auto dealership. He said that money is made in the service/repair aspect of an auto dealership. He said that Smyth Volvo will not relocate to Morgan Hill as they have rights to the entire county. He said that you might be able to squeeze 3 dealerships in the Walnut Grove area. He noted that the road will not be installed/aligned until a use is approved and built.

Sunday Minnich stated that the Chamber of Commerce supported the auto dealership strategy and area A as the preferred location, as adopted by the Council over a year ago. She recommended that everything be done to retain area A as an auto dealership(s) location. She noted that auto dealerships like to cluster together.

Mayor Kennedy indicated that he would agree to eliminate the 19 acres on Condit Road that were recently included in the City's USA as an auto dealership(s) area.

Mayor Pro Tempore Chang entered and took her seat on the dias.

Council Member Tate inquired whether an auto dealership would be interested in the site adjacent to the former Kmart facility.

Mr. Toy said that the Ford dealership liked the K-mart area for its visibility but was concerned with access to the site.

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Council Member Sellers stated that he did not have a problem adding the area adjacent to the former K-Mart site to the auto dealership strategy if it is attractive to individuals.

City Manager Tewes said that one of the advantages of identifying several areas for auto dealerships is the fact that it would allow flexibility in negotiating land deals.

Mr. Simonson said that he had a dealer interested in the site adjacent to the K-Mart site but that they were concerned that they would lose a substantial portion of the land in dedication to the City.

Mayor Kennedy inquired whether the Council would be moving forward with a strategy that would support 3-4 auto dealerships. He stated that he would not include Harley Davidson or Dan Gamel's RV as part of the strategy.

Mayor Pro Tempore Chang felt that the Capital Expressway area is an auto district region. She noted that the Capital Expressway auto district is not located by the freeway or residential neighborhoods. She stated that the only reason she did not support the Ford Dealership on Condit and Dunne Avenue was due to its proximity to a residential area. She said that she would support six dealerships in non residential areas formed into a district, if well planned and perpendicular to the freeway.

Mayor Kennedy felt that the City would need to conduct some form of neighborhood outreach, no matter the location of the sites, even if the City needs to hire a firm to assist with neighborhood outreach.

Mayor Pro Tempore Chang recalled that Al Chu's Chevrolet dealership request had area residents come out in opposition. In the approval of the Chevrolet dealership approval, the Council stipulated that it would not approve another auto dealership in the PUD.

City Manager Tewes clarified that in order to allow another auto dealership on the Walnut Grove area; it would require an amendment to the General plan and the PUD.

Council Member Sellers stated that he would be comfortable with the addition of 2-3 auto dealerships as part of the strategy.

Mayor Kennedy felt that 2-3 additional auto dealerships would be appropriate and that more than 2-3 should require additional analysis.

Council Member Carr said that he would hate for the City to develop a "Capital Expressway" auto district somewhere in Morgan Hill when the City already has an area developed with auto dealerships. He felt that it would be bad planning to develop other districts. He felt that 2 additional auto dealerships would be an appropriate number.

Mayor Pro Tempore Chang felt that 2 auto dealerships would be sufficient in area A. However, she did not believe that area A was the right place for additional dealership(s).

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Ms. Minnich said that if you look at the Capital Expressway area, residential neighborhoods are closer to the auto dealerships than they are at Dunne and Condit. She felt that other areas in Morgan Hill would have residential neighborhoods close to auto dealerships as well.

City Manager Tewes said that staff could return to the Council, transferring general comments into a policy direction for Council consideration.

Council Member Carr said that the Council has had the auto dealership strategy in place for two years. He felt that the Council has told staff, property owners, and others its preferred auto dealership locations.

Frank DeRose said that in order to move forward with site 4, a general plan amendment and a PUD amendment would be required, working with property owners. He wanted to know how property owners would work with the City to determine direction.

Council Member Carr said that the City has developed a process and that staff would be talking to property owners. He said that the process has started and that staff is inquiring whether the Council has changed its strategy, noting that it does not appear that the Council has changed its strategy.

Mayor Kennedy requested the elimination of "who may want a second store" under the Auto Dealership Strategy, Marketing, Section 1.

Mr. Toy said that the auto dealership list was not meant to be inclusive.

Mayor Kennedy requested that a Chrysler dealership be added to the list. He indicated that he has heard several Council members state that the strategy language is acceptable.

Mr. Simonson felt that realistically, only 2 auto dealerships could be accommodated on the existing Walnut Grove Drive area.

Mayor Pro Tempore Chang said that if the Council majority supports Area A, limiting auto dealerships to 2-3, it would be a Council decision. However, she would not support them in this area

Mayor Kennedy said that the strategy needs to indicate 2-3 more auto dealerships.

Mr. Toy said that staff would return with the strategy for Council consideration

Action: The Council **Provided** Staff with the above listed comments.

City Council and Redevelopment Agency Action

CLOSED SESSIONS:

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City Manager/Executive Director Tewes announced the closed session items.

1

CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION

Significant Exposure/Initiation of Litigation

Authority: Government Code Sections 54956.9(b) & (c)

Number of Potential Cases: 2

2.

PUBLIC EMPLOYEE PERFORMANCE EVALUATION

Pursuant to Government Code 54957

Public Employee Performance Evaluation: City Manager

Attendees: City Council, City Manager

OPPORTUNITY FOR PUBLIC COMMENT

Mayor/ Chairperson Kennedy opened the Closed Session items to public comment. No comments were offered.

ADJOURN TO CLOSED SESSION

Mayor/Chairperson Kennedy adjourned the meeting to Closed Session at 6:00 p.m.

RECONVENE

Mayor/Chairperson Kennedy reconvened the meeting at 7:00 p.m.

Council/Agency Member Sellers excused himself from the remainder of the meeting.

CLOSED SESSION ANNOUNCEMENT

Mayor Kennedy announced that no reportable action was taken in closed session.

SILENT INVOCATION

PLEDGE OF ALLEGIANCE

Mayor/Chairperson Kennedy led the Pledge of Allegiance.

CITY COUNCIL REPORT

Council Member Carr reported on the following: 1) Update on the Brian DeVries case. Last Friday, Judge Baines heard the case of the release of Brian DeVries. He indicated that the State Department of Mental Health came to the court room without a new location for Mr. DeVries to reside. There was no discussion of whether Morgan Hill was still a possible location for him. Judge Baines continued the hearing to Thursday, July 10, 2003; 10:00 a.m. at which time the State Department of Mental Health is

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suppose to return with a recommendation and location for Mr. DeVries. If not, Judge Baines felt that he would have no choice but to release Mr. Devris with the idea that he would have to find housing on his own; or allow him to go to the state of Washington where his father resides. 2) SCRWA Court Decision - He indicated that all Council members received great news from the South County Wastewater Regional Authority (SCRWA) about the success in a legal case against the Central Coast Regional Water Quality Control Board. He stated that a judge ordered the Board to grant the permit that SCRWA has been requesting for many years. Once the permit is granted, it will become another piece of the overall long term strategy on how the Cities of Gilroy and Morgan Hill will take care of treated water and the disposal of treated water out of the system. 3) Economic Development Committee – The Committee, consisting of Council Member Tate and he, recently reviewed with staff the Request For Concept of downtown proposals. He indicated that staff identified approximately 800 different individuals who should review the proposals. It is his hope that the City will receive requests for concepts on downtown development and that the City will be providing economic development dollars toward this effort. He stated that the concepts are due back at the end of July. If individuals are interested in the concept plans, he recommended that the Business Assistance and Housing Services Department be contacted for copies of the concept plans.

Mayor Kennedy felt that the court ruling was a great decision. This action will allow the Regional Water Quality Control Board to allow the discharge of tertiary treated water into Llagas Creek and then into the Pajaro River during winter months for non potable uses.

CITY MANAGER REPORT

City Manager Tewes stated that the City appreciates the support of the community to conserve water. He indicated that individuals can find out which roads will be closed for the Fourth of July activities by looking at the City's website (morgan-hill.ca.gov).

CITY ATTORNEY REPORT

Acting City Attorney William McClure stated that he did not have a City Attorney's report to present this evening. He indicated that he would be available to the City Council and staff while City Attorney Leichter is on vacation.

OTHER REPORTS

None.

PUBLIC COMMENT

Mayor Kennedy congratulated Council Member Steve Tate on his recent appointment as president of the Morgan Hill Rotary.

Mayor/Chairman Kennedy opened the floor to public comment for items not appearing on this evening's agenda. No comments were offered.

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City Council Action

CONSENT CALENDAR:

Mayor Kennedy and Council Member Tate requested that item 3 be removed from the Consent Calendar.

Action: On a

On a motion by Council Member Tate and seconded by Council Member Carr, the City Council, on a 4-0 vote with Council Member Sellers absent, <u>Approved</u> Consent Calendar Items 2, 4 - 12, as follows:

2. <u>APPROVAL OF MAIN AVENUE/UNION PACIFIC RAILROAD (UPRR) CROSSING</u> AGREEMENT

<u>Action:</u> <u>Approved</u> Main Avenue/UPRR Crossing Agreement, Subject to Review and Approval of City Attorney.

4. <u>ACCEPT OAK CREEK PARK TENNIS COURT RESURFACING PROJECT</u>

<u>Action:</u> 1) <u>Accepted</u> as Complete the Oak Creek Park Tennis Court Resurfacing Project in the Final Amount of \$28,130; and 2) <u>Directed</u> the City Clerk to file the Notice of Completion with the County Recorder's Office.

5. <u>ACCEPTANCE OF PUBLIC IMPROVEMENTS FOR 761 DAKOTA DRIVE – MIKE AND JONNA DUNNE</u>

<u>Action:</u> 1) <u>Adopted</u> Resolution No. 5688, Accepting the Public Improvements for 761 Dakota Drive – Mike and Jonna Dunne; and 2) <u>Directed</u> the City Clerk to File a Notice of Completion with the County Recorder's Office.

6. ADOPT ORDINANCE NO. 1621, NEW SERIES

<u>Action: Waived</u> the Reading, and <u>Adopted</u> Ordinance No. 1621, New Series, and <u>Declared</u> That Said Title, Which Appears on the Public Agenda, Shall be Determined to Have Been Read by Title and Further Reading Waived; Title as Follows: AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING AN AMENDMENT TO THE HORIZON LAND PUD AND ESTABLISHMENT OF A PRECISE DEVELOPMENT PLAN FOR THE NORTHERN 8.65 ACRES TO INCLUDE A 30,027-SF FORD DEALERSHIP AND TWO COMMERCIAL BUILDING PADS. (APN 728-17-019; ZAA-98-16: CONDIT – HORIZON LAND (THE FORD STORE).

7. ADOPT ORDINANCE NO. 1622, NEW SERIES

<u>Action: Waived</u> the Reading, and <u>Adopted</u> Ordinance No. 1622, New Series, and <u>Declared</u> That Said Title, Which Appears on the Public Agenda, Shall be Determined to Have Been Read by Title and Further Reading Waived; Title as Follows: AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING AN AMENDMENT TO

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ORDINANCE NO. 1568, NEW SERIES, TO AMEND THE DEVELOPMENT AGREEMENT FOR APPLICATION MP-00-01: BERKSHIRE-SINGH TO INCORPORATE A SIX-MONTH EXCEPTION TO LOSS OF BUILDING ALLOTMENT (APN 764-23-054; DAA-00-08: BERKSHIRE - SINGH).

8. ADOPT ORDINANCE NO. 1623, NEW SERIES

Action: Waived the Reading, and Adopted Ordinance No. 1623, New Series, and Declared That Said Title, Which Appears on the Public Agenda, Shall be Determined to Have Been Read by Title and Further Reading Waived; Title as Follows: AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING AN AMENDMENT TO ORDINANCE NO. 1535, NEW SERIES, TO AMEND THE DEVELOPMENT AGREEMENT FOR APPLICATION MP-00-21: MISSION VIEW-DIVIDEND HOMES TO INCORPORATE A SIX-MONTH EXCEPTION TO LOSS OF BUILDING ALLOTMENT (APNs 728-32-001, 002, 003 & 728-33-001; DAA-01-07: Cochrane-Mission View).

9. ADOPT ORDINANCE NO. 1624, NEW SERIES

<u>Action: Waived</u> the Reading, and <u>Adopted</u> Ordinance No. 1624, New Series, and <u>Declared</u> That Said Title, Which Appears on the Public Agenda, Shall be Determined to Have Been Read by Title and Further Reading Waived; Title as Follows: AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL AMENDING SECTIONS 3.56.050 of CHAPTER 3.56 (Development Impact Mitigation Fees) of TITLE 3 (Revenue and Finance) OF THE MUNICIPAL CODE OF THE CITY OF MORGAN HILL REGARDING DEVELOPMENT IMPACT MITIGATION FEES.

10. ADOPT ORDINANCE NO. 1625, NEW SERIES

<u>Action: Waived</u> the Reading, and <u>Adopted</u> Ordinance No. 1625, New Series, and <u>Declared</u> That Said Title, Which Appears on the Public Agenda, Shall be Determined to Have Been Read by Title and Further Reading Waived; Title as Follows: AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL APPROVING AN AMENDMENT TO ORDINANCE NO. 1564, NEW SERIES, TO AMEND THE DEVELOPMENT AGREEMENT FOR APPLICATION MP-00-31: CHURCH – SOUTH COUNTY HOUSING TO ALLOW FOR A SIX MONTH EXTENSION OF TIME FOR 36 BUILDING ALLOTMENTS RECEIVED IN THE 2001 RDCS COMPETITION. (APNs 817-02-002, 003, 004, 005, 022, 023 & 038).

- 11. <u>SPECIAL CITY COUNCIL MEETING MINUTES FOR MEETING OF JUNE 18, 2003</u>
 <u>Action: Approved the Minutes as written.</u>
- 12. <u>SPECIAL CITY COUNCIL MEETING MINUTES FOR MEETING OF JUNE 25, 2003</u> *Action: Approved the Minutes as written.*

3. APPROVAL OF SAN PEDRO PONDS JOINT USE AGREEMENT

Mayor Kennedy stated that this is a significant achievement and congratulated the San Pedro Ponds Committee that helped bring this joint use agreement to fruition.

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Council Member Tate said that City is excited that this project is moving forward after several delays. He stated that the project has been designed and laid out as a fairly simple project. The project surrounds the pond with low fences so that individuals can access the area as a park. He indicated that the Water District will include a bench in the park. He said that the San Pedro Ponds Committee will be conducting a fund raising effort in order to be able to incorporate additional benches and trees, similar to what was done at Nordstrom Park, to make this an attractive passive park. The Committee is encouraging anyone who wants to get involved as a volunteer and contribute toward this effort to contact him or Dr. Jon Hatakeyama. He stated that a grand opening ceremony is being planned but that a date has not been determined. As the project gets closer to completion a grand opening announcement will be made, indicating that it is hoped to have the ceremony take place sometime in September 2003.

Action:

On a motion by Council Member Tate and seconded by Mayor Pro Tempore Chang, the City Council, on a 4-0 vote with Council Member Sellers absent, <u>Approved</u> the Joint Use Agreement with Santa Clara Valley Water District for San Pedro Ponds Trail Project, Subject to Review and Approval of City Attorney.

City Council and Redevelopment Agency Action

CONSENT CALENDAR:

13. SPECIAL AND REGULAR CITY COUNCIL AND SPECIAL REDEVELOPMENT AGENCY MEETING MINUTES OF JUNE 18, 2003

Action: Approved the Minutes as written.

14. <u>SPECIAL AND REGULAR CITY COUNCIL AND SPECIAL REDEVELOPMENT</u> AGENCY MEETING MINUTES OF JUNE 25, 2003

Council Member Tate referred to page 186 relating to item 17. The Council discussed Gilroy's need of funding for a sewer trunk. He said that there was a lot of discussion and concern by the Council that were explained by staff later on. He felt that the Council's concerns were real enough that they should be incorporated as part of the record. He requested that the approval of the minutes be continued to allow the City Clerk to incorporate the Councils' concerns.

City Clerk Torrez informed the Council that the Minutes could be amended and return for Council review/approval on July 16, 2003.

Action:

On a motion by Council/Agency Member Tate and seconded by Council/Agency Member Carr, the City Council/Agency Board, on a 4-0 vote with Council/Agency Member Sellers absent, 1) <u>Continued</u> the approval of the Minutes to July 16, 2003, and 2) <u>Directed</u> the City Clerk/Agency Secretary to incorporate the additional dialogue relating to item 17.

City Manager/Executive Director Tewes informed the Council that it has a policy not to begin public hearings prior to 7:30 p.m. He said that the Council may wish to consider item 19 at this time.

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Action:

It was the consensus of the City Council/Agency Commission to <u>consider</u> agenda item 19 at this time.

Redevelopment Agency Action

OTHER BUSINESS:

19. REQUEST FOR PROPOSALS FOR POLICE FACILITY

Director of Business Assistance and Housing Services Toy presented the staff report, indicating that under discussion is a Statement of Interest (SOI) and Request for Proposal (RFP) process for the Morgan Hill Police Station. He indicated that in April 2003, the Agency Board authorized the issuance of an SOI, a conceptual process as opposed to an RFP process. This was a process that allowed individuals to indicate whether they would be interested in the police facility and what type of concepts they would have for the facility. He indicated that in June the Council's Economic Development Committee (EDC) reviewed the proposal and recommended that the City continue with the RFP process. He stated that the City received three responses to the SOI: 1) El Toro Brewery Company; 2) Page Holdings; and 3) Forst and Pappus. He said that the first two proposals are for a restaurant/brew pub concept and the third is a proposed restaurant. The EDC and staff recommend that all three proposers be invited to participate in a more detailed RFP process so that the Council can receive information on the development operating performs and be able to select developer who has the financial capacity to perform a business plan for the use of the facility. The Council/Agency can review the elevations to see if the design fits the overall image for the downtown plan. The Agency can also ask that individuals identify the specific role of the Agency (e.g., leasing the facility, purchasing the facility, and/or require other assistance from the Agency to make the project work). The City would also ask for a timeline. He recommended that prior to the issuance of an RFP that staff meet with the three proposers as a group to determine what common information would be helpful in the process. At that time, there would be discussion of a timeline for the RFP. It is proposed to issue an RFP in July 2003 and depending on the time line, responses would be due back in August or September. The Agency would make a selection sometime in September or October, entering into an exclusive right to negotiate agreement in November or December. He further recommended that staff be allowed to work with the EDC to review the RFP and help develop the selection process.

Agency Member Tate stated that staff addressed all the points of the EDC.

Agency Member Carr said that the EDC is trying to provide some Agency support in the process (e.g. up to \$20,000 for technical assistance). He said that the EDC would like the individuals who will be submitting RFPs to identify where they need help and how it could be provided. He stated that it has been suggested that this is a long timeline. However, when you look at the timeline of when the building would be made available, he felt that this process falls within that timeline.

Mayor Kennedy noted that staff has both the RFP and Request for Qualification (RFQ) processes listed. He said that it was his understanding that an RFQ would be for a situation where the City has a design

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and that the City is requesting a quote on a specific design. He inquired if this was staff's understanding when it put this process together.

Mr. Toy explained that an RFQ is a request for qualifications. He indicated that staff has received some of the qualifications from the three proposals and that the City would receive additional information as part of the RFP process.

Mayor Kennedy recommended that the City request RFQ/RFP to be consistent with what staff is asking for.

Chairman Kennedy opened the floor to public comment.

Gino Acevedo said that he has received bids and found that it would cost approximately \$10,000 to put together an RFP that includes architectural renderings and that this cost is not transferable or recoverable if one does not move forward with the process. He stated that it would be his preference that the City conducts an interview process to receive additional information or proceed with an RFQ if qualifications are on the top of the City's priority list. He noted that the proposals before the Agency are for three different types of restaurants. His proposal is a moderately priced brew pub restaurant with entertainment in the evening. The other brew pub proposal would be a higher end/upscale restaurant proposal. The third proposal would be a Bold Knight type steak house proposal. The Agency could identify which proposal it was leaning toward, saving the others money.

Vice-chair Chang inquired whether Mr. Acevedo was suggesting that the Agency select one proposal based on the SOIs submitted.

Mr. Acevedo suggested that the Agency request more information from the three proposers in an interview type process or that the Agency identify select questions. With an RFP, the City would be requesting a lot of detail, including a business plan. He said that it would take a lot of work to compile the information and complete architectural renderings. He said that he would not be able to take the architectural design and transfer it elsewhere if he was not selected to proceed with the police facility. This would result in money being lost and not recovered. He said that he would not want to negotiate with the City until it decides to proceed with exclusive rights to negotiate with the proposal selected. He said that he would not like to enter into a bidding war nor throw his negotiating cards on the table until such time that he enters into negotiations with the City.

Mayor Kennedy did not know how the Agency could make a decision without knowing what is being offered for the police facility.

Mr. Acevedo said that once you go through the RFP process and the City enters into the exclusive right to negotiate and that negotiations could still fall through with whomever the Agency selected depending on the terms. He said that the terms may not be acceptable given the structure of the building. He noted that the police facility is a two-story structure and that it has been proposed to him that given the period that it was built, it may not be an acceptable two story building and that it may need to be turned back into a one story building, given code requirements. He felt that there were different issues that could

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come into play during negotiations. Therefore, there could still be a fall out during negotiations even if one goes through the RFP process.

Executive Director Tewes indicated that the City has an appraisal for this piece of property but that it is a year or so old.

Vice-chair Chang said that it would be difficult to select an individual to proceed with a project without knowing how much a user would be willing to pay for the facility.

Executive Director Tewes said that staff is recommending an RFP process that would answer questions for the Agency Board. He noted that Mr. Acevedo identified at least one area that is common to all proposals where the technical assistance might be useful (e.g., code analysis). He requested that Mr. Acevedo forward a copy of the e-mail referenced to this evening to the City Clerk so that it can be made part of the record.

Rick Page indicated that he is one of the SOI applicants. He said that he would agree to abide by the process. He indicated that this is the first he has heard that there would be City assistance and appreciated this fact. He said that he has put together a team that would help him through the process.

No further comments were offered

Agency Member Tate said that the EDC tried to address the concerns raised by Mr. Acevedo, specifically the concern with laying out a lot of money to proceed with an RFP process. He said that the EDC discussed the need to have an idea of what the design would be in order to judge it and compare it to other designs. He did not know where the \$10,000 estimate comes from. He did not know how else the Agency would be able to evaluate the proposals without knowing how the proposals would look and compare them to each other. The EDC went further to address the concern in terms of putting some money into the process to make sure that what is common across all of the proposals (e.g., building structural issue). He did not know how the City would be able to compare a design against another design without knowing what the project would look like.

Vice-chair Chang inquired whether the Agency has a selection criterion in place. She also inquired how a price was incorporated into the process.

Agency Member Carr said that a selection criterion has not been established for the process. The EDC is recommending that it be allowed to review the RFP with staff and develop the selection criteria/process. He felt that an entire package needs to be put together and that the package is not based solely on price or design. He noted that this is a public process versus a private sector process. Therefore, the process has to take all these factors into account.

Chairman Kennedy felt that a selection criteria would need to be put into place in order for individuals to put a proposal together. He inquired whether there were other selection models that have been used in other projects or other cities.

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Executive Director Tewes said that this process is uncommon to Morgan Hill as the City has not typically been involved in disposing property in a developer selection process. He said that the development selection will be a public judgment about all of the combinations of factors that would result in the best project for Morgan Hill. He indicated that there are other agency models that the City could consider for the development selection.

Agency Member Tate said that it was his sense that Vice-chair Chang wanted to place a high level of importance on what individuals are willing to pay. He felt that it would be helpful for the EDC to receive input from the Agency in order to put together a selection process criterion.

Chairman Kennedy said that the most important feature or qualification that he would like to see is the ability for this facility/use to be a focus and attraction for the downtown. He felt that it would be important for a project to bring business and foot traffic into the downtown. Whichever of the three proposals does this is the one that he believes should be weighted the highest. The second criteria would be the price that the proposer is willing to pay. He felt that these two criteria need to be weighted closely. He recommended that a weighted criteria evaluation system be considered. He said that he would be willing to give up a little in price in favor of a longer term advantage for the downtown. He would be willing to support a project that would bring in a greater return.

Agency Member Tate inquired whether Chairman Kennedy wants to quantify what a "little bit" would be in this regard before proceeding with an RFP or whether an RFP should be put together in such a way that some subjective judgment is allowed to evaluate the proposals. He said that the EDC was contemplating heading toward the second alternative process.

Chairman Kennedy did not believe that the Agency could incorporate a quantitative rating at this point.

Vice-chair Chang said that although money is important, she agreed that it would fluctuate according to the project. Should the City sell the property at 50% of the appraised value, the City would be giving the property away and may raise questions from the public. She felt that the appraised value at $10\% \pm is$ the area that allows fluctuation. She stated that she would count on the EDC to come up with a reasonable criteria.

Executive Director Tewes indicated that the Redevelopment Agency is authorized to sell property at less than the fair market value. When the Redevelopment Agency does so, the Agency must provide a "Fair Reuse" appraisal. He said that after the City goes through the exclusive right to negotiate and staff brings back the development agreement to the Agency Board, a report will be presented and that a public hearing would need to be conducted so that the questions raised by Vice-chair Chang about public perception are addressed. Addressed would be the public value that would be gained by selling this property for less than its fair market value but at its fair "reuse" value. He said that Section 33433 of the Redevelopment Law requires this report and a public hearing before getting to the end of the process.

Chairman Kennedy felt that this was a classic use of Redevelopment Agency property. He felt that there should be several models that can be used as a model by the City.

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Vice-chair Chang inquired whether the price would be included in the RFP.

Executive Director Tewes said that it might be possible that all three proposers may prefer to purchase the property. However, when the Agency authorized this development selection process, it wanted to be open to the possibility that the proposers may want to lease the property and not own it. The City wanted to be open to these kinds of proposals as well. He said that the details of a real estate transaction will be identified through the remaining steps of the process.

Chairman Kennedy recommended that it be asked what proposers would be willing to pay on a lease and a purchase basis.

Executive Director Tewes said that it is equally important for the public to be mindful of the process by which the Agency came to its conclusions. He stated that the public needs to understand that appropriate development risks are being recognized and that the rates of return for the developer are reasonable rates of return. Therefore, the City would need to review the proposers' finances as well.

Vice-chair Chang inquired whether the Agency Board would be given the SOI applicants guidelines/criteria.

Executive Director Tewes said that it would be an appropriate conversation for the Agency Board to have and provide direction to the EDC as it develops the RFP. He stated that it might be conceivable to set a minimum expected sales price. An individual may wish to purchase the facility if financial assistance is offered for tenant improvements. He felt that the City has to evaluate the economics of the entire deal and not just one aspect.

Chairman Kennedy noted that the RFP criteria does not include: 1) the value of the project to the downtown; and 2) how much will an applicant be willing to pay for the property/facility.

Mr. Toy indicated that the Agency Board's criteria would be answered as part of the RFP process. He said that some of the information submitted would be needed in order to evaluate the benefit to the City. He stated that the business plans and the exterior elevations would help the Agency Board determine if a project is consistent with the downtown plan.

Executive Director Tewes indicated that staff will include these two criterions in the RFP submittal requirements.

Chairman Kennedy stated that these two pieces of information would be important parts of the submittal.

Agency Member Tate requested direction from the Agency Board as to whether the City should go directly to RFP or whether the EDC needs to develop an RFP concept, incorporating criterion around it, returning to the Council before proceeding further.

City of Morgan Hill Joint Special & Regular City Council and Special Redevelopment Agency Meeting Minutes – July 2, 2003 Page - 16—

Chairman Kennedy stated that it would be his preference to ask that the EDC work with staff on a selection criteria and that this return to the Council for its consideration. He stated that he was comfortable with the process, particularly having heard the Executive Director's comments about other Redevelopment Agency projects and processes used.

Action: It was the consensus of the Council to <u>Direct</u> the Economic Development Committee to

develop a selection criterion, working with staff. The Committee is to return to the

Agency Board with the selection criterion for its review and consideration.

City Council Action

PUBLIC HEARINGS:

15. <u>HEARING FOR EXEMPTION TO UNDERGROUNDING UTILITIES - 57 EAST SECOND STREET</u>

Director of Public Works Ashcraft presented the staff report.

Mayor Kennedy opened the public hearing. Erin Gil, property owner, requested that the Council allow him to pay in lieu fees for under grounding utilities on his property. No further comments being offered, the public hearing was closed.

Action:

On a motion by Council Member Tate and seconded by Council Member Carr, the City Council, on a 4-0 vote with Council Member Sellers absent, <u>Granted</u> the Exemption to the Requirement to Underground Utilities With Payment of In-Lieu Fees for the Proposed Development at 57 East Second Street.

Mayor Pro Tempore Chang and Council Member Tate indicated that they would be stepping down from participating in agenda items 16-18 due to conflicts of interest.

City Manager Tewes informed the Council that staff is suggesting that the Council open the public hearing solely for the purpose of continuing the items to July 16, 2003. He said that there is a question as to whether the Council needs three members of the Council to open and continue the hearings for the three Measure P appeal applications.

Acting City Attorney McClure indicated that three Council members are needed to open and continue the public hearings. He felt that it would be appropriate for the two Council members that would recuse themselves to flip a coin to determine who would be participating in the Measure P hearings, invoking the Rule of Necessity. He noted that Council Member Tate would be participating in the Measure P hearings based on the flip of a coin.

Mayor Pro Tempore Chang excused herself from the Council Chambers for items 16-18.

City of Morgan Hill Joint Special & Regular City Council and Special Redevelopment Agency Meeting Minutes – July 2, 2003 Page - 17—

16. MEASURE P APPEAL APPLICATION AP-03-01: EAST DUNNE-DEMPSEY

Mayor Kennedy opened the public hearing. No comments were offered.

Action: On a motion by Council Member Carr and seconded by Council Member Tate, the City

Council, on a 3-0 vote with Mayor Pro Tempore Chang and Council Member Sellers

absent, *Continued* the Public Hearing to July 16, 2003.

17. MEASURE P APPEAL APPLICATION AP-03-02: BARRETT-ODISHOO

Mayor Kennedy opened the public hearing. No comments were offered.

Action: On a motion by Council Member Carr and seconded by Council Member Tate, the City

Council, on a 3-0 vote with Mayor Pro Tempore Chang and Council Member Sellers

absent, Continued the Public Hearing to July 16, 2003.

18. MEASURE P APPEAL APPLICATION AP-03-03: WEST EDMUNDSON-PINN

Mayor Kennedy opened the public hearing. No comments were offered.

Action: On a motion by Council Member Carr and seconded by Council Member Tate, the City

Council, on a 3-0 vote with Mayor Pro Tempore Chang and Council Member Sellers

absent, Continued the Public Hearing to July 16, 2003.

PUBLIC COMMENT

Action: By consensus, the City Council/Agency Board **Agreed to Re-open** the Public Comment

portion of the meeting.

Shan Zhu, resident of Sunnyvale, brought to the Council/Agency's attention a lawsuit in an effort to stop atrocities taking place in China and to the situation being faced by a U.S. hero, Dr. Charles Lee. He indicated that in early June 2003, Congressman Tom Lantos, San Mateo, initiated a "Dear Colleague" letter regarding an Amicus Brief with the U.S. District Court in Illinois. The letter urged the Court to proceed with the lawsuit charging the former Chinese Communist leader with genocide, crimes against humanity and other crimes. He stated that as of June 27, 54 members of the U.S. Congress have signed the letter. He requested Council assistance in the efforts to stop the genocide and to help bring Dr. Charles Lee back to the U.S., defending the fundamental principals of this country of freedom and justice for all.

FUTURE COUNCIL-INITIATED AGENDA ITEMS

No items were identified

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ADJOURNMENT

There being no further business, Mayor/Chairman Kennedy adjourned the meeting at 7:57 p.m.

MINUTES RECORDED AND PREPARED BY:

IRMA TORREZ, CITY CLERK/AGENCY SECRETARY



CITY COUNCIL STAFF REPORT MEETING DATE: July 16, 2003

MEASURE P APPEAL APPLICATION AP-03-01: E. DUNNE - DEMPSEY

RECOMMENDED ACTION(S):

- 1. Open/Close the public hearing.
- 2. Deny Appeal and adopt attached resolution with findings.
- 3. If appeal is granted, direct Planning Commission to modify allotment evaluation and final distribution of the building allotment if applicable.

A	agenda Item # 22
P	repared By:
P	Planning Manager
A	approved By:
	Community Development Director
	ubmitted By:
	•

City Manager

EXECUTIVE SUMMARY:

This item was considered by the City Council at the May 28, 2003 meeting and was referred back to the Planning Commission for a recommendation on the merits of the appeal. The applicant, Janet Dempsey, is appealing the Planning Commission's project evaluation under Part 2 of the Residential Development Control System (Measure P) scoring criteria. The specifics of the appeal are addressed in the attached Planning Commission memorandum dated June 17, 2003.

The Planning Commission considered the appeal application at a special meeting on June 17, 2003. After a lengthy public hearing, the Commission by a 4-1 vote, recommended the project total score be increased from 177 to 179. The Commission recommends the project be awarded one additional point in the Quality of Construction category for overall project excellence, increasing the project score to the maximum 15 points in this category. In the Public Facilities category, the Commission by a 3-2 vote, recommended the project be awarded an additional point under criteria B2.d for providing an on-site open space retention area sized so as to serve or coordinate with future area-wide or adjacent development. Staff recommended against the one point because the surrounding area was already built out and there was no feasible way for this project to collect storm water run-off for other areas. During testimony received at the Planning Commission hearing, the applicant's engineer indicated that the project retention pond could benefit the undeveloped area north of the project on the north side of Dunne Avenue. A majority of the Commission agreed and awarded the additional point.

Following the June 17 Planning Commission meeting, the City received correspondence from Mr. Dick Oliver (attached), objecting the Commission's award of one point under the Public Facilities category. Mr. Oliver pointed out that the Measure P criteria requires the applicant to supply information in their application specifying how the pond sizing will address the area and how other projects will be connected to the detention pond. The applicant's application did not include information that the pond would serve areas north of Dunne Avenue. Mr. Oliver felt that this is new information and should not have been considered when awarding the one point. Attached is an e-mail message from Commissioner Bob Benich who voted to award the one point but upon reflection, agrees with Mr. Oliver. Regardless of whether the point should be awarded or not, the point increase does not change the final ranking relative to those projects that were awarded a building allotment.

FISCAL IMPACT: No budget adjustment required.

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL DENYING AN APPEAL APPLICATION UNDER THE RESIDENTIAL DEVELOPMENT CONTROL SYSTEM FOR OPEN/MARKET RESIDENTIAL PROJECTS IN FISCAL YEAR 2004-05 AND FISCAL YEAR 2005-06. APPLICATION AP-03-01: E. DUNNE - DEMPSEY.

WHEREAS, the City Council received three application appealing the April 22, 2003 Planning Commission evaluation and award of residential building allotments pursuant to Chapter 18.78 of the Morgan Hill Municipal Code; and

WHEREAS, pursuant to Section 18.78.130 of the Municipal Code, the City Council serves as the appellate body in matters relating to the evaluation and award and issuance of allotments under the Residential Development Control System; and

WHEREAS, the first appeal request, application AP-03-01: E. Dunne - Dempsey, was heard by the City Council at a meeting held on May 28, 2003 and referred to the Planning Commission to consider the merits of the applicant's appeal; and

WHEREAS, the Planning Commission considered the appeal at a special meeting on June 17, 2003 at which time the Commission recommended the project score be increased from 177 to 179 as described in Section 1 of this Resolution; and

WHEREAS, the City Council has determined that the final project score and approved distribution should remain within the limited allotment (total allocation) established for the 2004-2005 fiscal year and 2005-2006 fiscal year as approved by the Planning Commission; and

WHEREAS, testimony received at a duly-noticed public hearing, along with exhibits and drawings and other materials have been considered in the review process;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MORGAN HILL THAT:

<u>SECTION 1: FINDINGS FOR APPEAL APPLICATION AP-03-01 FOR FILE #MP-02-06: E. DUNNE - DEMPSEY.</u>

- A. The City Council finds that the Planning Commission correctly evaluated this project by awarding no points under Sections B2a and B2b of the Schools category. The walking distance between this project the nearest school beyond the ¾ mile limit specified in the criteria.
- B. The City Council finds that the project is entitled to an additional point under Section B.2.d of the Public Facilities category because the on-site storm detention basin will accommodate drainage from future development on the north side of East Dunne Avenue, north of the project.

- C. Although not the subject of the appeal, upon further consideration, the Planning Commission determined that the project's total score was above the 168 point cut-off and the project was therefore eligible to receive one point under Section B.5 of the Quality of Construction category.
- D. The City Council finds that the applicant is not entitled to the full two points under Section B.3.b of Circulation Efficiency Category. Points are awarded under this category for providing stub streets to adjacent properties to ensure proper access and circulation in the future. The proposed street stub does not satisfy the criteria for this category since it is not adjacent to the proposed project. Instead it is located across the street on the north side of East Dunne Avenue.
- E. The City Council finds that the project is not entitled to an additional point under Section B.1.d of the Natural and Environmental Category. Up to two points are awarded under the criterion for a project site design that *substantially preserves trees*, the existing terrain, and other natural ground features. The project will remove 10 of 18 trees on the site and therefore is entitled to only a partial credit of one point.

PASSED AND ADOPTED by the City Council of Morgan Hill at a Regular Meeting held on the 16th Day of July, 2003, by the following vote.

AYES: COUNCIL MEMBERS: NOES: COUNCIL MEMBERS: ABSTAIN: COUNCIL MEMBERS: COUNCIL MEMBERS:

***** CERTIFICATION *****

I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA, do hereby certify that the foregoing is a true and correct copy of Resolution No., adopted by the City Council at a Regular Meeting held on July 16, 2003.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE:		
	IRMA TORREZ, City Clerk	



CITY COUNCIL STAFF REPORT MEETING DATE: July 16, 2003

MEASURE P APPEAL APPLICATION AP-03-02: BARRETT - ODISHOO

RECOMMENDED ACTION(S):

- 1. Open/Close the public hearing.
- 2. Deny Appeal and adopt attached resolution with findings.
- 3. If appeal is granted, direct Planning Commission to modify allotment evaluation and final distribution of the building allotment if applicable.

Agenda Item # 23
Prepared By:
Planning Manager
Approved By:
Community Development Director
Submitted By:
City Manager

EXECUTIVE SUMMARY:

This item was considered by the City Council at the May 28, 2003 meeting and was referred back to the Planning Commission for a recommendation on the merits of the appeal. The applicant, Pennoel Odishoo, is appealing the Planning Commission's project evaluation under Part 2 of the Residential Development Control System (Measure P) scoring criteria. The specific of the appeal are discussed in the attached Planning Commission memorandum dated June 17, 2003.

The Planning Commission considered the appeal application at a special meeting on June 17, 2003. After conducting a public hearing, the Commission by a 5-0 vote, recommended the project total score remain at 178 points. The Commission's findings are outlined in Section 1 of the attached Planning Commission Resolution No. 03-52 and are restated in the attached City Council resolution. The attached Planning Commission minutes provide additional background information.

After considering this appeal application at the May 28, 2003 meeting, the City Council asked the Planning Commission to explain how the one point under Section B.5 of the Quality of Construction category is awarded for overall project excellence. Staff provides point recommendations in all 13 categories of the Measure P evaluation with the exception of the one point under B.5 of the Quality of Construction category. In determine which project should receive the one point, the Planning Commission established five rating factors (see attached exhibit). Each Commissioner on their own then assigns a point value, between 1 and 10, depending on which of the five rating factor the Commissioner considers to be the most important. Commissioners then score each project and the average of each Commissioner's score is used to determine which projects are awarded the one point. The Planning Commission determined that the average score for this project was not sufficient for the project to be awarded the one point under B.5 of the Quality of Construction Category. The Planning Commission recommends the City Council uphold the Commission's evaluation and final score at 178 points.

FISCAL IMPACT:

No budget adjustment required.

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL DENYING AN APPEAL APPLICATION UNDER THE RESIDENTIAL DEVELOPMENT CONTROL SYSTEM FOR OPEN/MARKET RESIDENTIAL PROJECTS IN FISCAL YEAR 2004-05 AND FISCAL YEAR 2005-06. APPLICATION AP-03-02: BARRETT - ODISHOO.

WHEREAS, the City Council received three application appealing the April 22, 2003 Planning Commission evaluation and award of residential building allotments pursuant to Chapter 18.78 of the Morgan Hill Municipal Code; and

WHEREAS, pursuant to Section 18.78.130 of the Municipal Code, the City Council serves as the appellate body in matters relating to the evaluation and award and issuance of allotments under the Residential Development Control System; and

WHEREAS, the second appeal request, application AP-03-02: Barrett - Odishoo, was heard by the City Council at a meeting held on May 28, 2003 and referred to the Planning Commission to consider the merits of the applicant's appeal; and

WHEREAS, the Planning Commission considered the appeal at a special meeting on June 17, 2003 at which time the Commission recommended the City Council uphold the Planning Commission's evaluation and total score of 178 points; and

WHEREAS, the City Council has determined that the final project score and approved distribution should remain within the limited allotment (total allocation) established for the 2004-2005 fiscal year and 2005-2006 fiscal year as approved by the Planning Commission; and

WHEREAS, testimony received at a duly-noticed public hearing, along with exhibits and drawings and other materials have been considered in the review process;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MORGAN HILL THAT:

<u>SECTION 1: FINDINGS FOR APPEAL APPLICATION AP-03-02 FOR FILE #MP-02-22: BARRETT - ODISHOO.</u>

A. As described in the June 17, 2003 staff memorandum on this item, the City Council finds that the engineer's estimate for the value of the offered public improvements and dedication under Section B.2.f of the Public Facilities Category is equal to three points total. However, given that two points were awarded for these same improvements in the Circulation Efficiency category, the project is entitled to only one point under criterion B.2.f. The note under Section B.2.f of the evaluation criteria specifically states that should the offered dedication and improvements are redundant to those offered under 5a – c. of the Circulation Efficiency category, the value of the redundant improvements will be reduced for each point awarded under B.5a – c of the Circulation Efficiency category. The City Council therefore upholds the Planning Commission's evaluation under this category.

B. With regard to the applicant's appeal of the Quality of Construction score, the City Council finds that five voting Commissioner represents a quorum and therefore the average scores from each of the voting Commissioners are valid.

With regard to the one point adjustment, the criterion is evaluated entirely by the Planning Commission and the Commission's average score place this below those projects that receive the one point for overall project excellence.

C. The applicant is requesting the maximum 2 points under criterion B1.f of the Lot layout category for a *superior lot layout*. To receive the maximum points, the site plan requires no major change (from the Measure P submittal) and has 2 or less minor problems. As described in the June 17, 2003 staff memorandum on this item, the project received 1 point for Criteria B.1, because the project layout has three minor design problems. The City Council agrees with the staff and Planning Commission determination that the project layout is above average, but not superior, as would be required to receive the maximum points. The use of parallel driveways, and not percentage of parallel driveways is the issue that rates the project only above average. The City Council therefore upholds the Planning Commission's evaluation under this category.

PASSED AND ADOPTED by the City Council of Morgan Hill at a Regular Meeting held on the 16th Day of July, 2003, by the following vote.

AYES: COUNCIL MEMBERS: NOES: COUNCIL MEMBERS: ABSTAIN: COUNCIL MEMBERS: COUNCIL MEMBERS:

***** CERTIFICATION *****

I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA, do hereby certify that the foregoing is a true and correct copy of Resolution No., adopted by the City Council at a Regular Meeting held on July 16, 2003.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE:	
·	IRMA TORREZ, City Clerk



CITY COUNCIL STAFF REPORT MEETING DATE: July 16, 2003

MEASURE P APPEAL APPLICATION AP-03-03: W. EDMUNDSON – PINN BROS.

RECOMMENDED ACTION(S):

- 1. Open/Close the public hearing.
- 2. Deny Appeal and adopt attached resolution with findings.
- 3. If appeal is granted, direct Planning Commission to modify allotment evaluation and final distribution of the building allotment if applicable.

Agenda Item # 24
Prepared By:
Planning Manager
Approved By:
Community
Development Director
Submitted By:
City Manager

EXECUTIVE SUMMARY:

This item was considered by the City Council at the May 28, 2003 meeting and was referred back to the Planning Commission for a recommendation on the merits of the appeal. The City Council requested that the Planning Commission conduct a "full hearing" on each item of the applicant's appeal. The applicant, Robert Peterson, representing Pinn Bros. Construction Inc., is appealing the Planning Commission's project evaluation under Part 2 of the Residential Development Control System (Measure P) scoring criteria. The specifics of the appeal are addressed in the attached Planning Commission memorandum dated June 17, 2003.

The Planning Commission considered the appeal application at a special meeting on June 17, 2003. After conducting a public hearing, the Commission by a 5-0 vote, recommended the project total score be lowered from 155.38 to 153.5 points. Staff and the Planning Commission recommend the project score under the Housing Types Category be reduced from 10.38 to 8.5 points. A portion of the project is within an R-2 district and the balance of the project is within an R-1 district. Upon a more precise determination of the R-1 and R-2 areas, staff determined that the project did not meet the minimum 10 percent requirement for each housing type (single-family detached, attached, etc.) within the respective zoning districts. The Planning Commission agreed with staff's scoring correction under the Housing Types Category. The Commission's findings and recommendations are outlined in Section 1 of the attached Planning Commission Resolution No. 03-53 and are restated in the attached City Council resolution. The attached Planning Commission minutes provide additional background information.

The Planning Commission conducted a full hearing on this item as requested by the City Council. The applicant however, was not present at the June 17 meeting. A representative of the applicant was present but was only available to answer questions from the Planning Commission. Having received no new testimony at this meeting, the Commission by a 5-0 vote, recommends the City Council uphold the Planning Commission evaluation with the one scoring change in the Housing Types category as described above.

FISCAL IMPACT:

No budget adjustment required.

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL DENYING AN APPEAL APPLICATION UNDER THE RESIDENTIAL DEVELOPMENT CONTROL SYSTEM FOR OPEN/MARKET RESIDENTIAL PROJECTS IN FISCAL YEAR 2004-05 AND FISCAL YEAR 2005-06. APPLICATION AP-03-03: WEST EDMUNDSON – PINN BROS. INC.

WHEREAS, the City Council received three application appealing the April 22, 2003 Planning Commission evaluation and award of residential building allotments pursuant to Chapter 18.78 of the Morgan Hill Municipal Code; and

WHEREAS, pursuant to Section 18.78.130 of the Municipal Code, the City Council serves as the appellate body in matters relating to the evaluation and award and issuance of allotments under the Residential Development Control System; and

WHEREAS, the third appeal request, application AP-03-03: W. Edmundson – Pinn Bros., was heard by the City Council at a meeting held on May 28, 2003 and referred to the Planning Commission to consider the merits of the applicant's appeal; and

WHEREAS, the Planning Commission considered the appeal at a special meeting on June 17, 2003 at which time the Commission recommended the City Council uphold the Planning Commission's evaluation with the exception of a change in the Housing Types score as outlined in Section 1 of this Resolution; and

WHEREAS, the City Council has determined that the final project score as amended by this Resolution and approved distribution should remain within the limited allotment (total allocation) established for the 2004-2005 fiscal year and 2005-2006 fiscal year as approved by the Planning Commission; and

WHEREAS, testimony received at a duly-noticed public hearing, along with exhibits and drawings and other materials have been considered in the review process;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MORGAN HILL THAT:

SECTION 1: FINDINGS FOR APPEAL APPLICATION AP-03-03 FOR FILE #MP-02-23: W. EDMUNDSON – PINN BROS. INC.

A. The City Council finds that the Planning Commission correctly evaluated this project by awarding no points under Sections B2a and B2b of the Schools category. Consistent with the scoring of other projects, when crossing a collector street, in this case La Crosse Drive, crossing must occur at a signalized intersection. No signalized intersection is available for a safe crossing. No signalized intersection is available for a safe crossing No cross walks or caution signals are proposed by the applicant, therefore a safe walking route does not exist. The City Council therefore upholds the Planning Commission's evaluation under this category.

- B. As described in the June 17, 2003 staff memorandum on this item, the City Council finds that the project is not entitled to an additional point under Section B.5 of the Orderly and Contiguous category because of the significant design flaws in the Project Master Plan described in the staff memorandum. The City Council therefore upholds the Planning Commission's evaluation under this category.
- C. As described in the June 17, 2003 staff memorandum for this item, the City Council finds that the applicant is not entitled to the point requests under the Housing Needs and Housing Types categories because the project fails to provide the minimum percent of BMR and other Housing Types as prescribed in the criteria. Based on the applicant's prior testimony to the Planning Commission that the Housing Type commitment shall be as stated in the project's Narrative Report, and upon a more precise determination of the R-1 and R-2 portions of the project, staff determined that the correct score under this category is 8.5 points. The City Council agrees with the adjustment. The total score in the Housing Types category shall be reduced from 10.38 points to 8.5 points. This will reduce the projects total score from 155.38 to 153.5 points.
- D. The applicant requests one point under criterion B.5 of the Quality of Construction category for overall project excellence. At the June 17, 2003 hearing on this application, the Planning Commission evaluated the project layout according to the Commission's five rating factors (see attached exhibit). The project received an average score of 60 points. The Planning Commission established 68 points as the cut-off point for projects to receive the one point under criterion B.5 of the Quality of Construction category. The City Council therefore upholds the Planning Commission's evaluation under this category.
- E. The applicant is requesting two points under Section B.1.f of the Lot Layout category for a superior lot layout. As described in the June 17, 2003 staff report on this item, the project received zero points for Section B.1.f because the project layout has three major design problems and three minor design problems. Upon review of these six design problems, the City Council upholds the Planning Commission's evaluation under this category.
- F. The City Council finds that the applicant is not entitled to the Circulation Efficiency category point adjustments described in the June 17, 2003 staff memorandum on this item based on the following findings:
 - 1. The proposed on-site walkways and bike paths for the project are adjacent/redundant to the required city standard sidewalks.
 - 2. The proposed layout of the project creates a short block between West Edmundson Avenue and the unnamed cul-de-sac on the west side of Piazza Way. The distance between street centerlines measures approximately 215 feet.

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3. The proposed project layout has an existing 40 foot easement in the rear yards of lots 31 thru 45. The commitment to remove this utility easement as stated on page 9 of the applicant's April 30, 2003 appeal letter was not a part of the applicant's original application and site plan. The uniform 40 foot rear yard setbacks does not reflect the removal of this easement.

PASSED AND ADOPTED by the City Council of Morgan Hill at a Regular Meeting held on the 16th Day of July, 2003, by the following vote.

AYES: COUNCIL MEMBERS: NOES: COUNCIL MEMBERS: ABSTAIN: COUNCIL MEMBERS: COUNCIL MEMBERS:

***** CERTIFICATION *****

I, IRMA TORREZ, CITY CLERK OF THE CITY OF MORGAN HILL, CALIFORNIA, do hereby certify that the foregoing is a true and correct copy of Resolution No., adopted by the City Council at a Regular Meeting held on July 16, 2003.

WITNESS MY HAND AND THE SEAL OF THE CITY OF MORGAN HILL.

DATE:	
	IRMA TORREZ, City Clerk



CITY COUNCIL STAFF REPORT MEETING DATE: July 16, 2003

DEVELOPMENT AGREEMENT APPLICATION DA 03-03: HALE-GARCIA

RECOMMENDED ACTION(S): Motion to table item.

A 3	genda Hem # 25
Pr	epared By:
Se	enior Planner
Aj	pproved By:
Di	rector of Community
De	evelopment
Su	ibmitted By:
Ci	ity Manager

EXECUTIVE SUMMARY:

The applicant is requesting approval of a project development agreement for a twelve-lot subdivision to be constructed on a 22-acre site located on the north

side of Basil Ct., on the east side of Dougherty Ave. within the Capriano subdivision. The proposed development agreement would cover phase V of the Capriano project. Approval of the corresponding subdivision requires the award of allocations from the 2002 RDCS competition. The award of the second year 2002 RDCS allocations has been delayed due to pending RDCS appeal applications which has also delayed the Planning Commissions' action on the subdivision map and development agreement.

The development agreement was originally scheduled for City Council action on June 4. At that time, it was anticipated that the RDCS appeals process would be concluded in July, so the Council continued the development agreement request to the July 16 meeting.

The appeal processing has taken much longer than originally anticipated. It is recommended that this application be tabled at this time. Once the RDCS appeals are resolved, the development agreement application will be re-agendized and re-noticed.

FISCAL IMPACT: No budget adjustment required.